

**VSTECS BERHAD**  
[Registration No. 199501021835 (351038-H)]  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-SIXTH (“26TH”) ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD ON A FULLY VIRTUAL BASIS VIDE SECURITIES SERVICES E-PORTAL AT THE BROADCAST VENUE LOCATED AT THE TRAINING ROOM, VSTECS BERHAD, LOT 3, JALAN TEKNOLOGI 3/5, TAMAN SAINS SELANGOR, KOTA DAMANSARA, 47810 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY, 17 MAY 2022 AT 10:30 A.M.**

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<b>DIRECTORS PRESENT AT BROADCAST VENUE</b>	:	Madam Lee Marn Fong @ Wu Marn Fong (Chairman) Mr. Soong Jan Hsung
<b>DIRECTORS WHO PARTICIPATED REMOTELY</b>	:	Mr. Wong Heng Chong Dato' Khoo Sin Aik Encik Abdul Aziz Bin Zainal Abidin Ms. Cheryl Khor Hui Peng Mr. Ong Wei Hiam
<b>MEMBERS</b>	:	As per Attendance List
<b>PROXY HOLDERS</b>	:	As per Attendance List
<b>INVITEES</b>	:	As per Attendance List
<b>IN ATTENDANCE AT BROADCAST VENUE</b>	:	Mr. Chan Puay Chai (Chief Financial Officer) Ms. Chua Siew Chuan (Company Secretary)
<b>AUDITOR</b>	:	Ms. Chloe Lee ( <i>Representing KPMG PLT</i> )

Madam Lee Marn Fong @ Wu Marn Fong (“**the Chairman**”), the Non-Independent Non-Executive Chairman of the Company chaired the Meeting.

The Company Secretary confirmed that a quorum was present pursuant to Clause 19.2 of the Company's Constitution, and the Chairman declared the Meeting duly convened.

**PRESENTATION BY CHIEF EXECUTIVE OFFICER OF THE COMPANY**

Mr. Soong Jan Hsung (“**Mr. Soong**”), the Chief Executive Officer of the Company then presented a short review of the Company's 2021 performance and the key initiatives for 2022 which covered the following areas:-

- Business Snapshot;
- VSTECS' Track Record;
- Financial Performance and Summary; and
- Key Initiatives and Strategies.

The Meeting noted on the following salient points:-

- Business Snapshot
  - The Company acted as the key technology enabler and provider in Malaysia in three major areas, namely:-
    - (i) Information and Communications Technology (“**ICT**”) distribution,
    - (ii) Enterprise Systems; and
    - (iii) ICT services.

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- The four key pillars of VSTECS are:-
  - (a) ICT distribution – Supports lifestyle technology;
  - (b) Enterprise Systems – Supports enterprise infrastructure;
  - (c) ICT services – Provision of system services and support; and
  - (d) Software and IT solutions via 40%-owned associate company, ISATEC Sdn. Bhd. (“ISATEC”) – Provision of enterprise solutions.
- VSTECS’ Track Record
  - Based on the VSTECS’ 10-years track record, the Company has been maintaining its profit margin consistently over the years, notwithstanding the challenges and difficult market conditions.
- Financial Performance and Summary
  - The Group recorded higher revenue of RM2.63 billion in 2021 as compared to RM2.02 billion for the preceding year. The 30.2% increase was mainly driven by the demand for end point devices.
  - The Group recorded higher profit after taxation and minority interests (PATAMI) of RM55.0 million in 2021 as compared to RM36.8 million for the preceding year. The increase of 50% was mainly driven by the outpacing revenue increase within the Group.
  - The Group recorded higher gross profit of RM139.4 million in 2021 as compared to RM106.0 million for the preceding year. The increase of 31.5% was mainly driven by the outpacing revenue increase within the Group.
  - The Company maintained its dividend pay-out ratio at 37% and above, and the Company has declared a total dividend of 5.7 sen for the financial year ended 31 December 2021.
  - The net asset per share of the Company was RM1.05 as at 31 December 2021.
- Key Initiatives 2022 and Strategies
  - (a) ICT Distribution
    - The Company would continue to work closely with the principals to secure more supply allocation with the high volume of business and maintain good relationship between the Company and the principals.
    - Planning to grow e-commerce business through alternative channels in collaboration with consumer electronic, telecommunication (“telco”) companies and super apps.
  - (b) Enterprise Systems
    - To increase public sector resellers coverage and build cloud partnership ecosystem.
    - To work closely with 5G vendors and investing more resources to cover the telco sector in terms of key factors such as speed and data explosion.
    - To explore more products addressing the data centre infrastructure and cybersecurity to meet the growing trend of the market.
  - (c) ICT Services
    - To focus on datacentre, enterprise network and cybersecurity services.
    - To build recurring managed services and cloud related services.
  - (d) Software Services
    - With the trend of work-from-home with increase in the demand of IT solutions and productivity tools, ISATEC played a significant role in empowering enterprises and organisations to accelerate growth through digitalisation.

(Summary of Key Matters Discussed at the Twenty-Sixth Annual General Meeting held on 17 May 2022  
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- With the need of process automation, ISATEC to develop services of digitalising the working processes to be more automated for organisations to operate on work-from-home such as in automation, big data analytics and artificial intelligence.
- With the data accumulated, the artificial intelligence (AI) and analytics would assist companies in generating required information for making strategies and decisions.

The Chairman then thanked Mr. Soong for the presentation and proceed with the first item on the Agenda.

### **QUESTION AND ANSWER SESSION**

The Chairman informed the Meeting that the following questions were received during the Meeting and addressed the questions accordingly:-

#### **Questions from Mr Lau Chuan Hooi.**

Q1. May I know what would be the Company's future outlook?

A1. Mr. Soong responded as follows:-

Mr. Soong informed that VSTECs has experienced exponential sales in year 2021. The main reason was due to the lockdown arising from the Covid-19 pandemic, where most people were forced to work-from-home ("WFH"). This has in turn created extraordinary demand on upgrade of smart phones and information, communication and technology ("ICT") equipment in line with the digitisation/ automation of business processes. Moving forward, Management would expect such trend to continue for the immediate future as employees would work in hybrid format.

Q2. Would the Board consider giving door gifts such e-voucher or e-wallets for those participating in this AGM as a token of appreciation?

A2. Mr. Chan Puay Chai ("**Mr. Chan**") informed that the Company had just paid out 37% of the total net profit to the shareholders by way of dividend declaration on 11 May 2022. He added that the Management believed that the distribution of dividends would be a better reward tool to the shareholders as compared to token gift gesture.

#### **Questions from Ms. Koh Chooi Peng**

Q1. In the Management Discussion and Analysis - Prospects for ICT Distribution it was stated that you expect, "*...exponential increase of demand for 5G enabled devices...*" *Could the Board/Management elaborate on the "exponential increase of demand for 5G enabled devices" when there were still uncertainty over the roll-out of the main 5G infrastructure in Malaysia?*

A1. Mr. Soong informed that VSTECs has been certified for the 5G deployment in Malaysia as Singapore has already been implementing such technology. There were delay in 5G deployment in Malaysia due to disagreement between telcos and the Malaysian Communications and Multimedia Commission ("MCMC"). He further shared the Group's experience with 5G deployment in Singapore where such deployment has resulted in higher demand for ICT products, in tandem with the increase in data centres and ICT equipment.

Q2. The ICT Services segment which contributed more recurring income has the highest profit margin of 14.6% compared to only 3.76% and 6.61% for ICT Distribution and Enterprise Systems, respectively. However, it was noted ICT Services was currently the smallest contributor to the Group's Revenue and PBT.

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- (i) Were any plans/strategies to increase the revenue from recurring income for the Group and if yes, what were the steps taken to achieve this.
- (ii) Were similar gross profit margins sustainable for this financial year being FY2022?

A2. Mr. Soong responded as follows:-

- (i) ICT Services has always been the focus of VSTECS for many years and tied in with the Company's Enterprise Systems where the majority of the Company's revenue were generated from the deployment and implementation of the Enterprise System. However, since the Company has embraced public cloud technology, a specialist team of Cloud engineers had been set up to render technical support to the Cloud team. Consequently, Management envisaged that such initiative would yield positive results in due course.

Q3. The Inventories increased more than 150% in FY2021 to RM222.533 million which was a big jump from the previous financial years.

- (i) What was the reason(s) for such a big increase in inventories?
- (ii) There was also an increase of inventories write-down amounted to RM1.873 million in FY2021. What were the reason(s) for this write-down which is much higher than the amount reported in FY2020?

A3. Mr. Soong and Mr. Chan responded as follows:-

- (i) Mr. Soong responded that there was component shortage in terms of consumer products such as notebooks and tablets arises from the Covid-19 pandemic since early year 2020. Many vendors have improved their supply of goods in FY2021. The Group normally kept the inventories between 24 to 30 days during normal period. In a nutshell, the usual lead time from vendors was between six to eight weeks, hence 30 days was considered as healthy inventories keeping for VSTECS.
- (ii) Mr. Chan responded that the inventories write down amount was due to the general provision where the Group practiced stringent provision policy based on an aging bucket.

Q4. Trade Receivables of the Group increased by 8.5% in FY2021 vs FY2020. The amount of Receivables under the categories 31-60 Days Past Due and 61-90 Days Past Due increase substantially to RM45.83 million and RM8.611 million respectively.

- (i) What were the reason(s) for the huge increase in Receivables past due?
- (ii) Has there been any improvement in the collection of these Receivables since 31 Dec 2021 and if yes, what were the current amount outstanding for these 2 categories?

A4. Mr. Chan responded as follows:-

- (i) Mr. Chan informed that during year 2020, the Group's stock level was low when the demand was high. Hence, the consumers paid faster than usual to get a higher allocation which lead to a low trade receivable recorded in the balance sheet. Subsequently, during the last quarter of year 2021, when the Group's stock level was back to normal, which lead to an increase of trade receivables. On the other hand, the Company's revenue had increase approximately RM600 million as compared to an increase of RM20 over millions of trade receivables in the last quarter of 2021. In short, the Company has been managing its trade receivables effectively.

Q5. Economic conditions after Covid-19 reopening saw huge increase in cost of doing business ranging from the spike in raw materials to logistic costs. This was further compounded by the depreciation of RM versus USD.

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- (i) How much was the average increase Group's product prices in current financial year so far versus FY2021?
- (ii) To what extent could the cost increase be passed to end-customers?
- (iii) What were the steps taken by the Management to sustain the gross profit margins in view of the cost increases?

A5. Mr. Soong responded as follows:-

- (i) The price increase in raw materials was controlled by the vendors where the product cost would be adjusted upwards in tandem with the increase in the price of raw materials.
- (ii) 70% of dealings were carried out in Ringgit Malaysia ("RM") while the remaining were in United States Dollar ("USD"). In order to mitigate the foreign currency exposure, Management would normally hedge against USD upon receipt of orders.

**Question from Ms. Lim Li Hui**

Q1. Could you elaborate more on the Joint Venture with Enrich Platinum Sdn. Bhd. ("EPSB") as well as ISATEC Sdn. Bhd. ("ISATEC") ? Do you see the profitability of those two associates increasing in the future?

A1. Mr. Soong responded that EPSB has been a Joint Venture of VSTECs, and property management has been their core business. In view that rental income were maintained over a fix period of time, Management did not foresee exponential growth from EPSB. As for ISATEC which was mainly in the software development business, Management envisaged that the automation/ digitisation of corporate and government entities would drive the demand for ICT equipment, which would in turn assist with the growth of ISATEC.

Q2. The Company has been doing some shares buy back but not very aggressive. Treasury shares has now been standing at 0.91% of the issued shares. As the Company was currently trading at quite an undemanding valuation, would the Company be doing more aggressive share buy backs if the Company believes in the long-term value of its shares?

A2. Mr. Chan informed that prior to making any share buy-back decision, apart from the market price, Management would need to consider various factors such as the availability of cash flow management, the turnover of inventories and working capital requirement and etc.

Q3. Would the Company's gross profit margin which was already very thin be impacted further by the increasing raw prices and inflation as well as the minimum wage increase?

A3. Mr. Chan informed that the minimum wage increase to RM1,500/- has minimal impact to the Group while the selling price of ICT products could be adjusted should the raw material price increased. In view thereof, there would be no major impact to the gross profit margin of the Company.

Q4. The gross profit for ICT distribution, ES and ICT services went up by 39%, 19% and 80% in the year 2021 compared to 2020 which was a remarkable performance. Do you think this performance could be repeated for year 2022?

A4. Mr. Soong responded that based on the current growth of the Enterprise System orders as well as the inter-related ICT services, Management envisaged that the growth momentum could be favourable for year 2022.

Q5. May I know if you were the only authorised dealer for the brands like Samsung and Apple in the ICT distribution? Who would be your closest competitor in this field?

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- A5. Mr. Soong responded that although being the authorised dealer for Samsung and Apple products, the Group was not the sole distributor in Malaysia. However, with the enormous volume and sales capability of the Group, Management was confident on maintaining a sustainable growth in its ICT distribution business.

**Questions from Mr. Chua Song Yun**

Q1. With Covid-19 becoming an endemic, people starting to return to the office to work, returning to the school to learn, and the government no longer providing additional tax relief on purchasing computer products, does management expect a significant drop in demand for ICT products? Thank you.

- A1. Mr. Soong responded that the ICT tax relief provided by the Government would still be applicable for tax year of 2022. This, coupled with the hybrid working format adopted by some of the companies, would mean the ICT distribution business would be sustainable for year 2022. In addition, Management has also been driving its Enterprise System business and ICT services in order to maintain its profitability for the year 2022.

**Questions from Mr. Koh Teng Hein**

Q1. Would the Company's profit heavily affected by appreciation of the USD? What measures been taken to offset the negative impact of a higher USD in 2022 and may be 2023?

- A1. Mr. Chan informed that the Group had previously established policies and practices in terms of hedging against the USD upon purchase or receipt of order(s). This would mitigate against the fluctuation in foreign currency.

**Questions from Mr. Au Yong Chee Hoong**

Q1. In the area of cybersecurity service, we have seen a lot of news that people had been scammed/cheated by the online/phone hack. Was there any action or activities by VSTECS cybersecurity service to build awareness of the public on how they can prevent being scammed/cheated nowadays?

- A1. Mr. Soong responded that the Group has been building its Cybersecurity services for the past few years under the banner of ICT services, mainly catered to the Enterprise System clients.

A2. There being no further questions raised, the Meeting proceeded with the poll voting.

**1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON**

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The Chairman declared that the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon, be received.

**2.0 APPROVAL OF RESOLUTIONS**

The Meeting resolved and approved the following resolutions at the Meeting by way of poll:-

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**RESOLUTION 1**  
**RE-ELECTION OF MR. ONG WEI HIAM WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>225,979,664</b>	<b>99.8899</b>
<b>AGAINST</b>	<b>249,144</b>	<b>0.1101</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 2**  
**RE-ELECTION OF DATO' KHOO SIN AIK WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>226,077,364</b>	<b>99.9331</b>
<b>AGAINST</b>	<b>151,444</b>	<b>0.0669</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 3**  
**RE-ELECTION OF MS. CHERYL KHOR HUI PENG WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.10 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>225,979,664</b>	<b>99.8899</b>
<b>AGAINST</b>	<b>249,144</b>	<b>0.1101</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 4**  
**RE-ELECTION OF MADAM LEE MARN FONG @ WU MARN FONG WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.10 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>182,697,364</b>	<b>99.9172</b>
<b>AGAINST</b>	<b>151,444</b>	<b>0.0828</b>
<b>TOTAL</b>		<b>100.00</b>

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**RESOLUTION 5**  
**PAYMENT OF DIRECTORS' FEES**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	226,055,060	99.9232
<b>AGAINST</b>	173,748	0.0768
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 6**  
**RE-APPOINTMENT OF KPMG PLT AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	226,214,276	99.9941
<b>AGAINST</b>	13,432	0.0059
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 7**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 1**  
**PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	226,043,048	99.9179
<b>AGAINST</b>	185,760	0.0821
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 8**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 2**  
**RETENTION OF MR. WONG HENG CHONG AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	225,974,664	99.8877
<b>AGAINST</b>	254,144	0.1123
<b>TOTAL</b>		<b>100.00</b>



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**RESOLUTION 9**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 3**  
**AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	225,599,472	99.7218
<b>AGAINST</b>	629,336	0.2782
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 10**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 4**  
**PROPOSED RENEWAL OF SHARE BUY-BACK**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	226,066,484	99.9282
<b>AGAINST</b>	162,324	0.0718
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 11**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION 5**  
**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	38,078,072	99.5911
<b>AGAINST</b>	156,336	0.4089
<b>TOTAL</b>		<b>100.00</b>

**CONCLUSION**

There being no other notice received to transact any other business, the Chairman concluded the Meeting and thanked all present for their attendance.

The Meeting concluded at 12:00 noon with a vote of thanks to the Chairman.