

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-SEVENTH (“27TH”) 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, 16 MAY 2023 AT 10:30 A.M.

DIRECTORS PRESENT AT BROADCAST VENUE	:	Madam Lee Marn Fong @ Wu Marn Fong (Chairman) Mr. Soong Jan Hsung Mr. Wong Heng Chong Mr. Ong Wei Hiam
DIRECTORS WHO PARTICIPATED REMOTELY	:	Dato’ Khoo Sin Aik Encik Abdul Aziz Bin Zainal Abidin Madam Anne Rodrigues Nee Koh Lan Heong
MEMBERS	:	As per Attendance List
PROXY HOLDERS	:	As per Attendance List
INVITEES	:	As per Attendance List
IN ATTENDANCE AT BROADCAST VENUE	:	Mr. Chan Puay Chai (Chief Financial Officer) Ms. Chua Siew Chuan (Company Secretary)
AUDITOR	:	Ms. Chloe Lee (<i>Representing KPMG PLT</i>) Ms. Andrea Au (<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 2022 performance and the key initiatives for 2023 which covered the following areas:-

- Business Snapshot;
- Delivering Growth;
- Financial Performance; and
- Outlook & Key Takeaways.

The Meeting noted on the following salient points:-

- Business Snapshot
 - The Company’s presence in Malaysia as follows:-
 - (i) Maintain 35 years of continuous profitability;
 - (ii) Representing 46 leading ICT principals;
 - (iii) Servicing more than 4,600 resellers;
 - (iv) Handling more than 110,000 Stock Keeping Units (“**SKUs**”)
 - (v) Employed a total of 393 workforce as at 31 December 2022
 - The Company acted as the key technology enabler and provider in Malaysia in three major areas, namely:-

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- (i) ICT distribution – Mass market consumer ICT products;
 - (ii) Enterprise Systems – Systems & Solutions for Enterprises; and
 - (iii) ICT services – E-Commerce, ICT & Cloud Services.
- The Company's role in the value chain in eight (8) major areas, namely:-
 - (i) E-commerce;
 - (ii) Logistics;
 - (iii) Implementation;
 - (iv) Value Added Services;
 - (v) Maintenance;
 - (vi) Support;
 - (vii) Channel Management; and
 - (viii) Training.
- Delivering Growth
 - The Key Achievement of the Financial Year ended 2022
 - (a) New Record for Enterprise Systems Segment – 35% YoY revenue increase, overtaking the ICT Distribution segment as the largest revenue contributor;
 - (b) ICT Services Revenue Almost Doubled – 80-90% recurring in nature, providing visibility;
 - (c) Grew the Cloud Services Subscription – Building Full Life Cycle Cloud Service Capabilities; and
 - (d) Major Green Technology Investment – Commissioned a 290kWp Solar Power System at HQ.
- Financial Summary
 - The Group recorded higher revenue of RM2.77 billion in 2022 as compared to RM2.63 billion for the preceding year. The 5.5% increase was mainly driven by the improvements in the Enterprise Systems which overtook the ICT Distribution.
 - The Group recorded higher gross profit of RM149.8 million in 2022 as compared to RM139.4 million for the preceding year. The increase of 7.5% was mainly driven by the outpacing revenue of Enterprise Systems which contributed 58%.
 - The Company maintained its dividend pay-out ratio at 37% and above, and the Company had declared a total dividend of 6.2 sen for the financial year ended 31 December 2022.
 - The net asset per share of the Company was RM1.15 as at 31 December 2022.
- Outlook and Key Takeaways
 - (a) ICT Distribution
 - The Company's sales of tablets, notebooks, and PC remain more than 50% above pre-pandemic levels.
 - Replacement cycle for enlarged number of end-point devices in the market will provide sustainable demand.
 - Secured orders for the education sector.
 - Continue to explore new digital channels to enhance distribution reach and serve a wider consumer base.
 - Exploring the Metaverse and new renewable energy products.
 - (b) Enterprise Systems ("ES") & ICT Services
 - **5G Prospects** is expected to take place due to the enhancement of the data centre, backhaul capacity, and network infrastructure by Telco companies.
 - **Pipelines & Inquiries** which foresee ES and ICT to grow further this year based on orderbook

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- in hand and inquiry pipeline bolstered by Enterprise digital transformation.
- **Growth in Cloud Computing** that was due to numerous Enterprise shifts was expected to continue with more organisations moving their data and applications to the cloud to improve efficiency and reduce costs because of the restriction of equipment during the pandemic.
- The Company has acquired several **New Distributorships** in terms of Power Solutions and Uninterrupted Power Supply into datacentres, commercial machinery, and medical equipment to open up a new business line in the coming years.

(c) Key Takeaways

- **Solid Growth Track Record**
 - ✓ 2018-2022 Revenue CAGR 14% and PATAMI CAGR 24%
- **Sustainable Growth**
 - ✓ Proxy to Growing ICT Spending Amid Digital Imperative Drive
- **Comprehensive Portfolio Across Consumer and Enterprises**
 - ✓ Complementary Business Segments to Capitalise on Every Cycle
- **Inorganic Growth**
 - ✓ Strategic acquisition opportunities

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 Jan Hsung (“**Mr. Soong**”) informed that the 2023 strategies and plans for each segment have been elaborated on in the presentation earlier. With accelerating digitalization, the Company is positive about the prospects where the Company's strategic plans and initiatives are expected to bring about growth in financial performance, subject to external market forces and changes in global trends.

Q1. Would the Board consider giving door gifts such e-vouchers or e-wallets for those participating in this AGM as a token of appreciation?

A2. Mr. Soong informed that the Management believed that the distribution of dividends would be a better reward tool to the shareholders as compared to a token gift gesture.

Questions from Ms. Yap Kwek Ve

Q1. Noted VSTECs experienced two consecutive years of negative operating cash-flow, cash level is depleting with new height in receivables and inventories , what have the Board done to improve this unhealthy situation? Are we seeing a third year of negative operating cash flow?

A1. Mr. Chan Puay Chai (“**Mr. Chan**”) informed that one of the main reasons for the negative operating cash flow was due to the business growth in the Enterprise Systems business segment which contributed 58% of the total increase of gross profit and typically project transactions usually require longer timeframe for completion. In addition, the delay in the project completion was also due to

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partial shipments of vendors that encountered material shortages had resulted in higher working capital as well as longer turnaround time.

Q2. Is FY2023 performing better than FY2022 in term of top and bottom line?

A2. Mr. Soong responded as that the 2023 strategies and plans for each segment as elaborated in the presentation earlier are expected to bring about financial growth for the Company, which is subject to external market forces as well as the changes in global trends. VSTECS is optimistic of its prospects with the accelerating digitalization and disbursement by the enterprises towards digital transformation, barring of unforeseen circumstances.

Question from Mr. Keu Tien Siong

Q1. There are many new Mega data centres being setup in Malaysia such as AWS, and other mega data centres coming up near Johor Bharu, will this trend be a threat or an opportunity for VSTECS?

A1. Mr. Soong responded that the emergence of Malaysia as a regional data centre will be an opportunity for the Company and VSTECS is also in the midst of discussions on several key data centres and cloud projects. In the recent years, the Group has built and strengthened its cloud services team with a view of providing enterprise customers with full-lifecycle services and aim to eventually provide comprehensive cloud-to-end information system solutions for customers in various industries, and free customers from tedious IT infrastructure management which the help of enterprise managers to focus on operation and innovation that benefits in terms of achieving cost reduction and efficiency improvement.

Q2. Artificial Intelligent AI, ChatGPT is a big trend and evolving in technology sector, how VSTECS will respond to this trend? Will this benefit VSTECS in coming quarter?

A2. Mr. Soong informed that ChatGPT is owned by Microsoft and VSTECS is the main distributors of Microsoft which give the Company a significant role and a close chance to deal with the leaders in the world of AI such as Microsoft, Apple, International Business Machines (“IBM”) as well as Google as a source of channel in terms of the application and solutions for consumers and enterprise. However, Mr. Soong opined that the ChatGPT will not incur any benefit towards the Company in the coming quarter as ChatGPT is currently in the pave of Beta 4.5. Nevertheless, VSTECS is positive to become the service provider when the vendors are ready to monetize the AI application and subscription with the growth of AI subjects within the next two to three years.

Questions from Mr. Lee Eng Shan

Q1. How should shareholders look at our relationship with the ultimate major shareholder VSTECS Holdings? Does it hamper our potential geographical reach and/or scalability?

A1. Mr. Soong responded that VSTECS Holdings Limited (“**VSTECS Holdings**”) is listed in Hong Kong and holds 43.5% of shares in VSTECS Berhad and VSTECS is their associate company. VSTECS views the relationship of VSTECS Holdings positively as the Company is able to negotiate with brand principals as a regional group, giving greater strength and leverage. The digital landscape in Malaysia is accelerating with the government's supportive policies and the advent of 5G, providing a very long runway of opportunities for the Company.

Q2. Will competition intensify - Enterprise and ICT distribution, further in the coming years?

A2. Mr. Soong responded that the Company has 2 other key competitors in the local market that are unlisted companies. Based on revenue as a percentage of market share, VSTECS currently has the largest market share and hopes to grow further in the future. The market is typically more fragmented in the SIs (system integrators) market as well as the retail resellers market where

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VSTECs deals directly with the principals who typically appoint 2-3 representatives only in each country, hence providing a high barrier of entry for the local market.

Q3. Which aspect of the business is most challenging? How should passive investors keep track of its progress?

A3. Mr. Soong informed that all divisions of the business are challenging. However, one of the main challenges is to pay attention to new technologies and trends of the market where VSTECs has been the leader of the industry for the past years due to the evolving and enhancing of new portfolios as well as new opportunities such as 5Gs, Internet of Things (“IoT”) and the data centre power solution that is estimated to boom in the coming one to five years.

Mr. Soong further stated that the Company has a pool of professionals who have proven to maintain 35 years of continuous profitability and a high capability of business growth for the past 5 years. The Company will continue to deliver the latest technologies and trends to bring the Company to the next level.

Questions from Mr. Liew Chee Seng

Q1. How does the board going to enhanced the shareholders investments for the coming year? Can the company more dividend to the shareholders for the coming year?

A1. Mr. Chan informed that the Company’s dividend pay-out is within 30 to 40% of PATANCI over the past several years. Therefore, in line with the financial performance of VSTECs that was presented earlier, the Company has paid a record dividend amounting to RM22.1 million in FY2022 which was 9% higher than the previous year. The Company is mindful of rewarding its shareholders for their unceasing support by distributing dividends after considering the variable circumstances such as the cashflow, retained earnings, the projected level of capital expenditure as well as other investment plans.

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 2022 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

The Chairman declared that the Audited Financial Statements of the Company for the financial year ended 31 December 2022 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:-

**RESOLUTION 1
RE-ELECTION OF MR. SOONG JAN HSUNG WHO RETIRED IN ACCORDANCE WITH
CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	228,806,900	99.9892
AGAINST	24,733	0.0108
TOTAL		100.00

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RESOLUTION 2
RE-ELECTION OF ENCIK ABDUL AZIZ BIN ZAINAL ABIDIN WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	229,256,884	99.9892
AGAINST	24,749	0.0108
TOTAL		100.00

RESOLUTION 3
RE-ELECTION OF MADAM ANNE RODRIGUES NEE KOH LAN HEONG WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.10 OF THE CONSTITUTION OF THE COMPANY

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	229,256,888	99.9892
AGAINST	24,745	0.0108
TOTAL		100.00

RESOLUTION 4
PAYMENT OF DIRECTORS' FEES

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	229,197,284	99.9657
AGAINST	78,649	0.0343
TOTAL		100.00

RESOLUTION 5
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 (%)
IN FAVOUR	229,270,000	99.9949
AGAINST	11,633	0.0051
TOTAL		100.00

RESOLUTION 6
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 1

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PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	229,246,984	99.9862
AGAINST	31,649	0.0138
TOTAL		100.00

RESOLUTION 7
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 2
AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	223,377,490	99.4249
AGAINST	5,904,143	2.5751
TOTAL		100.00

RESOLUTION 8
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 3
PROPOSED RENEWAL OF SHARE BUY-BACK

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	229,075,208	99.9100
AGAINST	206,425	0.0900
TOTAL		100.00

RESOLUTION 9
SPECIAL BUSINESS:
ORDINARY RESOLUTION 4
PROPOSED NEW SHAREHOLDERS' MANDATE AND PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	35,091,496	85.1979
AGAINST	6,096,737	14.8021
TOTAL		100.00

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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 11:45 a.m. with a vote of thanks to the Chairman.