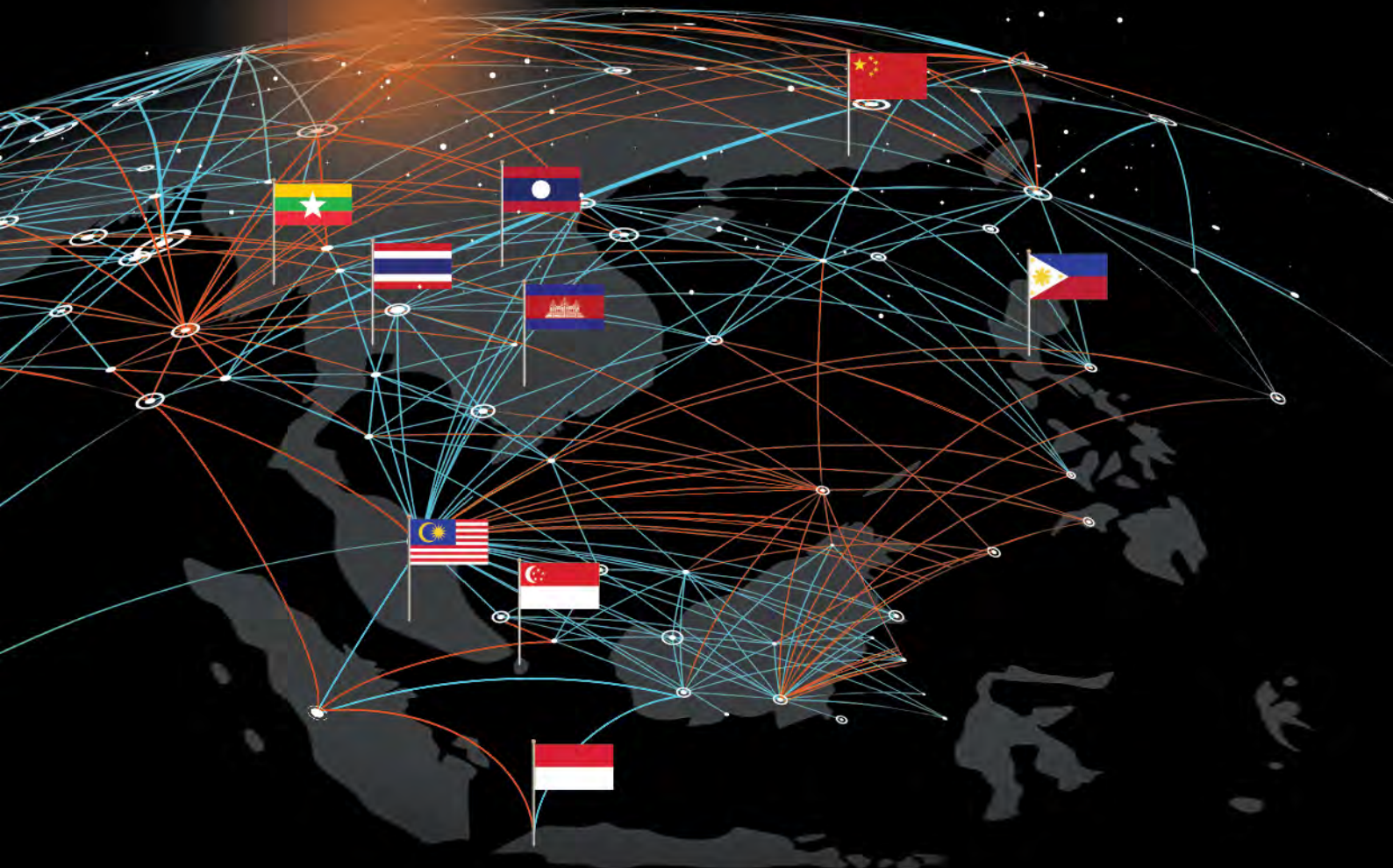




VST ECS



2 ANNUAL REPORT 18  
0

**VST ECS BERHAD**

*(formerly known as ECS ICT Berhad)*

(Company No. 351038-H)



## OUR VISION

**TO** be the leading provider of information & communications technology products and value-added services.

**WE** strive for sustainable growth to achieve optimum returns to shareholders.

## OUR MISSION

**WE** shall strive to be a leading provider within Malaysia of reputable, quality computer systems, hardware, software, services and support for our customers.

**WE** shall conduct business with our valued customers and suppliers with professionalism and integrity.

**WE** shall have an environment to develop, motivate and reward our employees by providing training and incentives for productivity.

**WE** shall achieve the profitability for future growth and to give an adequate return to shareholders.

**WE** shall be good corporate citizens with social responsibilities to our communities.

# CONTENTS

Cover Rationale	<b>02</b>		
Corporate Profile	<b>03</b>		
Digital Distribution Channels	<b>04-05</b>	Group Corporate Structure	<b>38</b>
Chairman's Statement	<b>06-07</b>	Corporate Governance Overview Statement	<b>39-64</b>
Management Discussion and Analysis	<b>08-13</b>	Sustainability Statement	<b>65-69</b>
Big Data Analytics	<b>14-15</b>	Statement on Risk Management and Internal Control	<b>70-72</b>
Board of Directors	<b>16-17</b>	Report of the Audit Committee	<b>73-77</b>
Profile of Board of Directors	<b>18-25</b>	Other Information	<b>78-79</b>
Profile of Senior Management Team	<b>26-28</b>	Statement of Directors' Responsibility	<b>80</b>
Profile of Management Team	<b>29-31</b>	Financial Statements	<b>81-152</b>
New Growth in IT Services	<b>32-33</b>	Analysis of Shareholdings	<b>153-155</b>
Corporate Information	<b>34</b>	Notice of Twenty-Third Annual General Meeting	<b>156-161</b>
Group Financial Highlights	<b>35-37</b>	Proxy Form	<b>enclosed</b>

# COVER RATIONALE

Regional affiliation with local focus. VSTECS Berhad ("VSTECS", formerly known as ECS ICT Berhad) harmonises its group identity with regional affiliates while enhancing its nationwide distribution channels to better serve the nation's ICT industry and accelerate the digital economy.



# CORPORATE PROFILE



**VSTECs Berhad** (formerly known as ECS ICT Berhad) and its subsidiaries (“The Group”) started in 1985 with the establishment of VSTECs KU Sdn. Bhd. (formerly known as ECS KU Sdn. Bhd.). Today, The Group is a leading distribution hub for ICT products in Malaysia via VSTECs Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) and VSTECs Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.)

Listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 15 April 2010, VSTECs is an associate company of VSTECs Holdings (Singapore) Limited (formerly known as ECS Holdings Limited), which is one of the leading ICT distributors in Asia Pacific, accessing to a network of more than 25,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Cambodia, Laos and Myanmar.

VSTECs Holdings (Singapore) Limited is a wholly-owned subsidiary of VSTECs Holdings Limited listed on the Hong Kong Stock Exchange.

VSTECs distributes a comprehensive range of ICT products comprising notebooks, personal computers (“PCs”), smartphones, smartwatches, tablets, printers, software, network and communication infrastructure, servers, and enterprise software from more than 40 leading principals.

With a nationwide channel network of more than 6,600 resellers comprising of retailers, system integrators (“SI”) and corporate dealers, VSTECs also provides value-added product support and technical services. For more information, please visit [www.vstecs.com.my](http://www.vstecs.com.my).





# DIGITAL DISTRIBUTION CHANNELS

Delivering products and services at greater speed and larger volumes have been made possible by today's digital age. Today's technological abilities and new standards are empowering communications, products and services delivery to serve anyone, anywhere, and anytime. Welcome to the new digital economy where businesses are running non-stop in delivering to every corner of the world in a seamless and efficient manner.

# CHAIRMAN'S

## DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS ("BOARD"), I AM PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF VSTECs BERHAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 ("FY2018"). OUR GROUP'S PERFORMANCE FOR FY2018 WAS ACCEPTABLE DESPITE THE MORE OPERATIONALLY VOLATILE LANDSCAPE AS BOTH BUSINESSES AND CONSUMERS HELD BACK ON ICT SPENDING.

## FOO SEN CHIN

*Non-Independent Non-Executive Chairman*





# STATEMENT

## OVERVIEW

The year under review has been extraordinary. We witnessed a change in government for the first time in the country's history while a number of policies were also replaced, chief of which was the reintroduction of the Sales and Service Tax ("SST") from 1 September 2018 following the abolition of the Goods and Services Tax ("GST") on 1 June 2018.

The shift back to the SST from the GST affected consumer spending, which in turn weighed on our Group's ICT Distribution segment while stronger corporate sales performance of the Enterprise Systems and ICT Services segments had partially off-set the drop in ICT Distribution segment.

Despite generally stable employment and inflation conditions, and steady private consumption supporting Malaysia's economic growth of 4.7% year-on-year in 2018, the market was cautious with domestic and external factors weighing on sentiments. In addition, public and private sector investments as a whole was markedly lower, which also weighed on ICT spending.

Under these conditions, The Group managed to maintain profitability by posting revenue of RM1,632.3 million and registering RM24.6 million in net profit. There were slight declines in both revenue and net profit compared to FY2017 given the tough market conditions that The Group was operating under but overall, we managed to maintain our market share.

On the corporate front, The Group also had a name change to VSTECS Berhad as part of the strategic move to align The Group's corporate identity with that of its regional associate company, VSTECS Holdings Limited.

## PROSPECTS

Indicators show that the country's economic expansion will slow down marginally in 2019, after growth as measured by GDP came in lower in 2018 compared to the previous year. The International Monetary Fund projected Malaysia's GDP to expand by 4.5% to 5.0% in 2019 supported by domestic demand.

We are optimistic for 2019 although we see some road bumps ahead. The Group hopes that government policies to sustain economic growth and grow the ICT space will continue apace, especially with the implementation of several sizeable projects as highlighted by Budget 2019 including the RM3 billion allocated for the Industry Digitalisation Transformation fund and the RM2 billion Business Loan Guarantee Scheme to encourage small-medium enterprises to automate and modernise their operations.

Furthermore, Budget 2019 key measures including government efforts to raise the ordinary wage-earners' real disposal income and support the growth of the new economy are positive signs for sustained retail-level ICT spending, which is good news for The Group's mainstay consumer electronics business.

## APPRECIATION

My heartfelt thanks go to all management team and employees of The Group for their hard work and dedication, and for their contribution in the journey of maintaining our position as the country's leading ICT distributor.

I would like to express my appreciation to our principals and resellers for their continued support and the investors for their trust in us.

I would also like to extend my deepest appreciation to the Board for their support and guidance in helping to ensure that The Group stays on course and achieves its objectives.

## FOO SEN CHIN

*Non-Executive Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

**SOONG JAN HSUNG**

*Executive Director/Chief Executive Officer*



# MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

## BUSINESS OVERVIEW

The Group, which is headquartered in Petaling Jaya, is a leading distributor of ICT products and provider of related services. Founded in 1985, The Group distributes a wide range of products, having distributorship agreements with more than 40 global brands in the ICT industry. The products range from consumer IT hardware to enterprise systems including Internet of Things (“IoT”) devices and big data analytics software.

Beyond the five sales offices we have nationwide, The Group has a wide network of partners, comprising more than 6,600 resellers including IT retailers, SI resellers and corporate dealers. The Group is present in all the major e-Commerce platforms and has a visible online presence through Business-To-Consumer (“B2C”) brand stores.

Besides distribution of ICT products to consumers and corporates, The Group also has a growing business in ICT services focusing on areas such as networking infrastructure and cybersecurity services.

## FINANCIAL REVIEW

For the year under review, The Group recorded a 11.2% decrease in revenue of RM1,632.3 million compared to the RM1,838.3 million registered in FY2017 due to lower contribution from the ICT distribution segment.

Profit before tax (“PBT”) declined 8.0% to RM32.8 million compared to RM35.6 million in the corresponding year mainly due to the decrease in revenue and forex loss compared to forex gain in the corresponding year. Profit after tax (“PAT”) was down 6.3% to RM24.6 million, compared to RM26.3 million in FY2017.

The Group’s gross profit, which decreased marginally to RM86.8 million in FY2018 compared to the RM87.5 million in FY2017, was supported by higher contribution from the Enterprise Systems segment as well as better product mix.

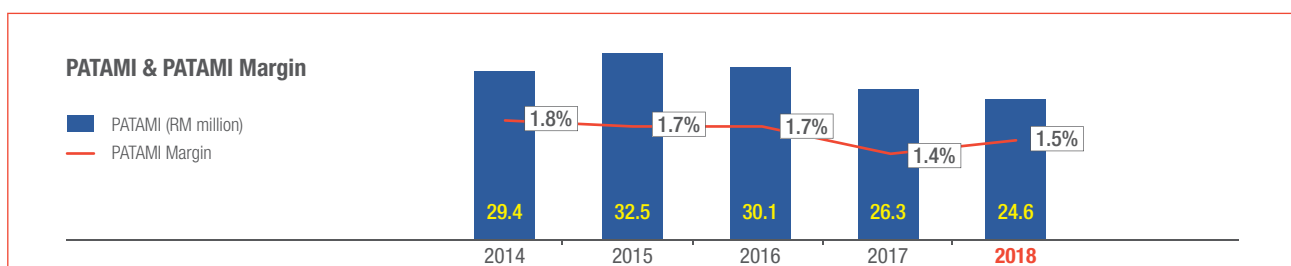
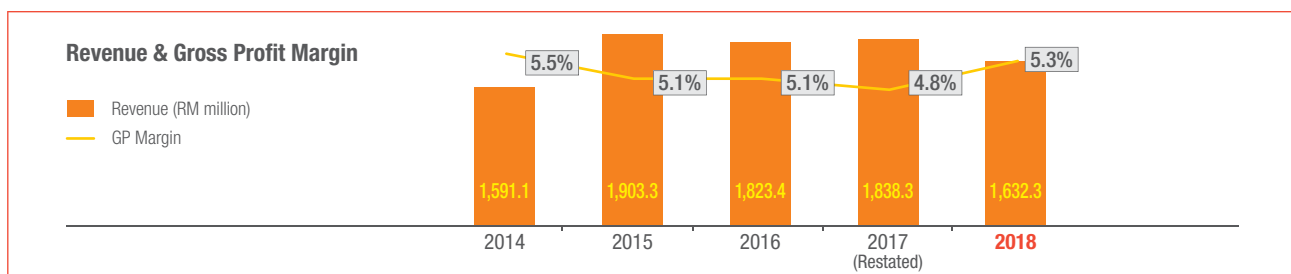
We are pleased that The Group managed to sustain overall business for the year despite being weighed down by market uncertainties stemming from the change of government and the replacement of the Goods and Services Tax (“GST”) by the Sales and Services Tax (“SST”), which dampened consumer sentiment.

Earnings per share stood at 13.7 sen for the financial year under review compared to the 14.6 sen in the preceding financial year.

The Group’s balance sheet remains healthy in respect of FY2018. Our net cash position comprising cash and cash equivalents stood at RM54.5 million as at 31 December 2018 with zero borrowings compared to RM50.5 million in the corresponding period. Our working capital increased to RM261.0 million as at 31 December 2018 compared to RM255.4 million in the corresponding period.

VSTECS’s financial performance in the last 5 years is shown in the following five (5) charts:

1. Revenue and Gross Profit Margin
2. Profit After Tax and Minority Interest (“PATAMI”) and PATAMI Margin
3. Earnings per Share (“EPS”) and Net Asset per Share
4. Total Assets and Shareholders’ Equity
5. Profitability

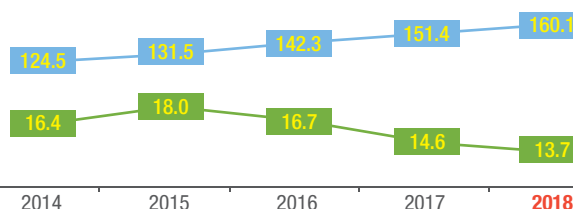


## MANAGEMENT DISCUSSION AND ANALYSIS

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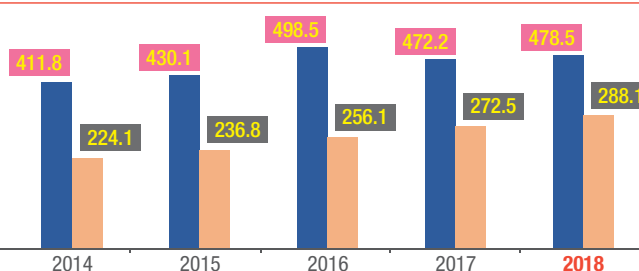
### EPS and Net Asset per Share

— Net Asset per Share (Sen)  
— EPS (Sen)



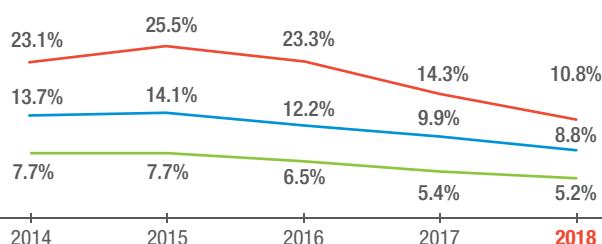
### Total Assets and Shareholders' Equity

■ Total Assets (RM million)  
■ Shareholders' Equity (RM million)



### Profitability

— Return on Capital Employed  
— Return on Equity  
— Return on Assets



## OPERATIONS REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

- i. ICT Distribution : Distribution of volume ICT products to resellers, comprising mainly of retailers;
- ii. Enterprise Systems : Distribution of value ICT products to resellers, comprising mainly of SI and corporate dealers;
- iii. ICT Services : Provisioning of ICT services

### ICT Distribution

The Group continues to build up presence in IoT with several distributorships signed in the second half of 2018 for virtual reality ("VR") and drone products.

Our wholly-owned subsidiary, VSTECS Astar Sdn. Bhd. ("VSTECS Astar") (formerly known as ECS Astar Sdn. Bhd.), was named a distributor by HTC Corporation for the HTC VIVE VR platform used for interactive e-Sports experiences.

The distributorship will enhance The Group's plans to grow its presence in e-Sports, a market that is growing in popularity, especially among teenagers and young adults while there are plans to turn Malaysia into an e-Sports hub.

Another IoT initiative was the distributorship signed with Da-Jiang Innovations Science and Technology Co., Ltd. for two new drones, the Mavic 2 Pro, the world's first drone with an integrated Hasselblad camera, and Mavic 2 Zoom, the world's first foldable consumer drone with optical zoom capability.

VSTECS Astar also secured a distributorship agreement with Kaspersky Lab for its range of cybersecurity products for both the enterprise and consumer markets. This distributorship enhances the suite of cybersecurity products that we already have and also allows us to tap into the growing need for security in tandem with the growth of digitalisation.

# MANAGEMENT DISCUSSION AND ANALYSIS

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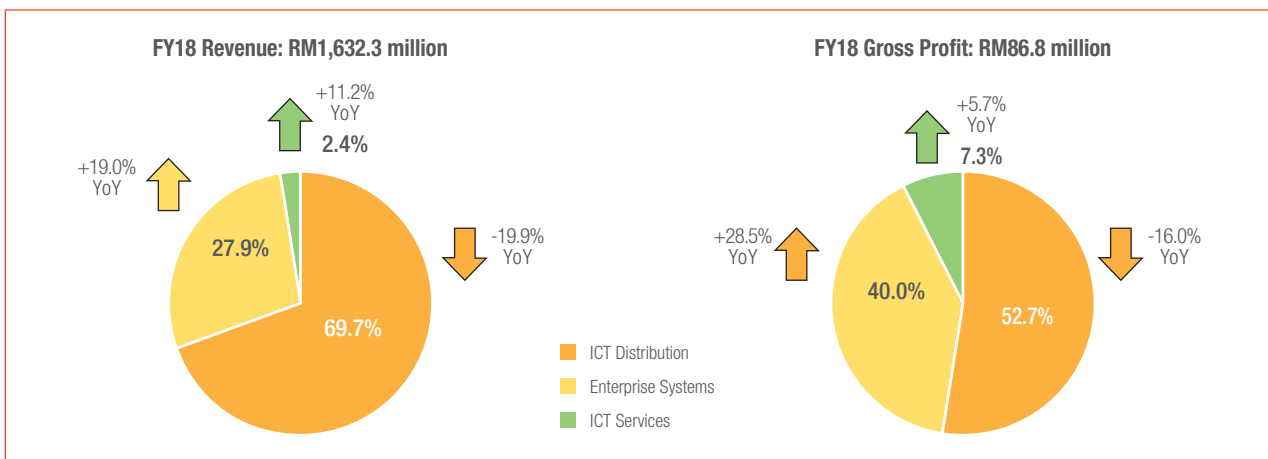
## Enterprise Systems and ICT Services

The Group's wholly-owned subsidiary, VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.), was appointed the official distributor of NASDAQ-listed Splunk Inc. which specializes in software and solutions for big data analytics. This distributorship enhances and diversifies the suite of services under the Enterprise Systems segment.

The ICT Distribution segment posted a 19.9% decline in revenue to RM1,137.4 million in FY2018 compared to RM1,419.9 million generated in FY2017 as a result of softer consumer sentiment.

The Group's Enterprise Systems segment posted a 19.0% rise in revenue to RM455.1 million in FY2018 compared to the RM382.5 million in FY2017 due to higher sales across all major products.

The ICT Services segment's revenue gained 11.2% to RM39.9 million in FY2018 compared to RM35.8 million in FY2017 mainly due to higher sales from the Enterprise Systems segment.



## AWARDS

### VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.)

No.	Categories of Awards	Awards/accolades
1	Asus	Open Platform Distributor FY17
2	Microsoft	Distributor Highest Revenue Growth
3	Dell EMC	Excellence in Marketing Development Fund ("MDF")'s Management
4	HPE	Top Distributor Compute Category
5		Top Distributor Storage Category
6		Distributor of the year
7		Top Pointnext Distributor Award
8		Top Pointnext Distributor for Installed-Base ("IB")-Renewal, Conversion, Post-Warranty Support Services ("PWSS"), New Solution Category Award
9	Asus	Top Notebook Contribution Distributor 2018 - Gold

## MANAGEMENT DISCUSSION AND ANALYSIS

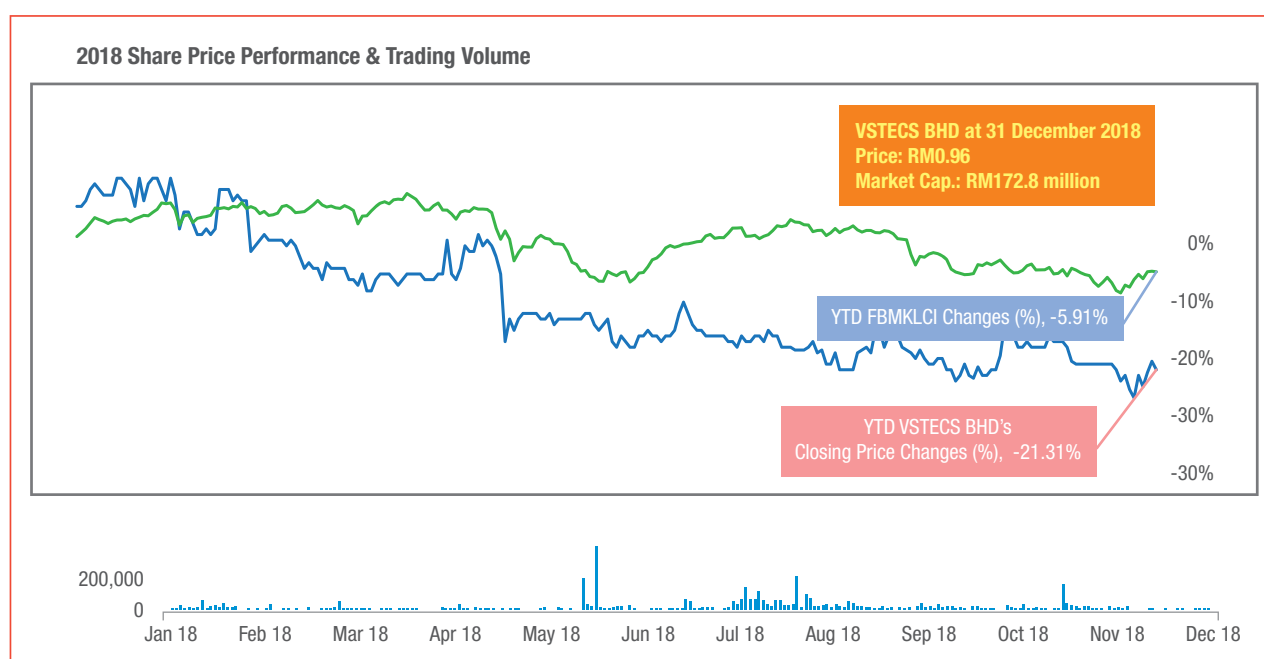
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### VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.)

No.	Categories of Awards	Awards/accolades
1	IBM	Best Business Partner ("BP") Performance Award in Malaysia
2	Huawei	Authorised Distributor
3		2018 Distributor
4		Huawei Partner ICT Skill Competition Malaysia 2018
5		Channel Partner Program Distributor FY 2019
6		Huawei Enterprise Channel Partner Program Distributor 2019

### SHARE PRICE PERFORMANCE

VSTECS's share price closed at RM0.96 on 31 December 2018, with a total market capitalisation of RM172.8 million, a 21.3% decline from RM219.6 million as at 31 December 2017. Year high and year low share prices marked RM1.30 and RM0.91 respectively. Average daily trading volume is at 102,345 units.



Source: Wall Street Journal

### DIVIDEND

The Group remains committed to rewarding our shareholders through dividend payments and paid out a single tier interim dividend of 2.5 sen per ordinary share for FY2018 on 19 December 2018.

The Board has recommended for approval of shareholders a single tier final dividend of 2.5 sen per ordinary share for FY2018 to be payable on 19 June 2019 in respect of deposited securities as at 27 May 2019.

The Group will continue to practice distributing a minimum 30% of net profit as dividend to our shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

## ANTICIPATED/KNOWN RISKS & MITIGATING PLANS/STRATEGIES

The main operational risks The Group is exposed to are credit default from accounts receivables and stock obsolescence as both are the major portion in the total current assets.

Over the years, The Group has established stringent policies for credit and stock control. The total amount of bad debt and stock obsolescence had been well kept within the respective allowances for impairment and stock write-down based on the ageing of accounts receivables and stocks.

We continue with a policy of hedging forward our USD-denominated purchases through fixing the currency exchange rates on payment due dates in order to cover or minimise The Group's exposure to foreign currency fluctuations.

The e-Commerce platform remains a key focus of The Group where distribution of our products and services are concerned. As consumers increasingly take to purchasing online, our online brand stores, present in various e-Commerce marketplaces, have become key to the distribution of The Group's products and services. Our partners are also selling online in response to the changing trends of consumer purchases. We will continue to expand our presence online with the extension of our B2C brand stores and, in addition, we continue to work closely with our principals and e-Commerce partners in terms of brand visibility and sales.

## BUSINESS OUTLOOK

Due to a challenging economic outlook for 2019, we expect consumer and enterprise sentiment to be cautious at least for the first half of the year, which will affect the demand for ICT products.

The International Data Corporation, a provider of market intelligence for the ICT industry, forecasts a 5.0% growth for the products and services that The Group offers, which gives an insight to trends in consumer IT demand.

To ensure that we maintain our market share as the leading ICT distributor in the country in this challenging period, The Group will continue to focus on innovative and higher margin products that will help support future growth and diversify our earnings base.

We plan to increase our market share for smartphones, notebooks and accessories while continuing to explore new consumer products and opportunities for IoT with a number of potential vendors, including brands specific to home automation. In addition, The Group is expanding its footprint in the increasingly popular e-Sports gaming market and will continue to look for more e-Sports gaming notebooks and accessories to represent.

The Group also plans to continue focusing on more technical investments by hiring more engineers to market and support initiatives in cloud data centre, networking infrastructure and cybersecurity products and services.

Another growth area we are focusing on is the expansion of our distribution channels in partnership with e-Commerce platforms such as Lazada and Shopee to provide better services.

To enhance the consumer experience and at the same time open up a future growth area, The Group is working with major vendors on a new online-to-offline ("O2O") initiative to ensure a seamless buying experience. This O2O initiative will be launched in the first half of 2019 and will also address changing consumer patterns.

As part of our expansion and growth plans, we continue to be on the lookout for new business opportunities within the ICT industry that can complement The Group's operations, including merger and acquisition exercises with suitable businesses.

## SOONG JAN HSUNG

*Executive Director/Chief Executive Officer*



# BIG DATA ANALYTICS

Thanks to the scalability and efficiency of data flow and storage, information is now made available in game changing ways that can move the masses. New business models are constantly evolving based on the use of such information, and new services are being offered to better serve the people. While noting that security requirements also need to evolve to protect the integrity of data and information, we at VSTECS are always exploring boundaries of Big Data and Analytics to better serve our markets.





# BOARD OF DIRECTORS

(As at 16 April 2019)



**TAY ENG HOE**

*Independent  
Non-Executive Director*



**WONG HENG CHONG**

*Independent  
Non-Executive Director*



**FOO SEN CHIN**

*Non-Independent  
Non-Executive Chairman*



**SOONG JAN HSUNG**

*Executive Director/  
Chief Executive Officer*



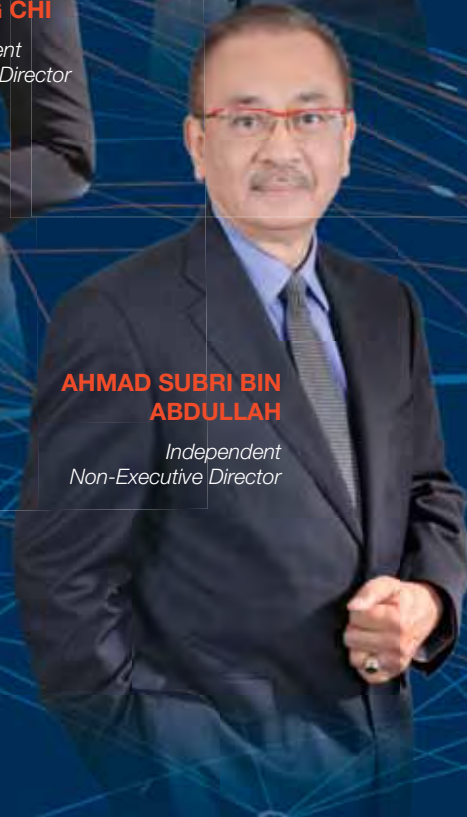
**ONG WEI HIAM**  
*Non-Independent  
Non-Executive Director*



**CHOW YING CHI**  
*Non-Independent  
Non-Executive Director*



**HO CHEE KIT**  
*Senior Independent  
Non-Executive Director*



**AHMAD SUBRI BIN  
ABDULLAH**  
*Independent  
Non-Executive Director*

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)



### FOO SEN CHIN

*71 Years, Malaysian, Male*

*Non-Independent  
Non-Executive Chairman*

<b>Date of appointment as Director</b>	: 21 July 1995
<b>Length of service as director since listing on 15 April 2010 (as at 16 April 2019)</b>	: 9 years 0 month
<b>Board Committee(s) served on</b>	: Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science degree in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom; and  Master's degree in Business Administration from the Cranfield School of Management in the United Kingdom
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: Foo is the co-founder of VSTECS Berhad (formerly known as ECS ICT Berhad) and assumed the position of Managing Director in 2000. He is a substantial shareholder of VSTECS Berhad through his substantial shareholdings in Sengin Sdn. Bhd. He was appointed as the Executive Chairman of the Board of VSTECS Berhad on 1 January 2015 and has been re-designated as Non-Independent Non-Executive Chairman on 1 January 2018.  He began his career as an Engineer in 1972 with a commercial organisation in the electrical industry for 4 years in Ipoh. In 1977, he joined a multinational company in marketing technical products that included office automation and computer products. In 1982, he was appointed the General Manager of a computer bureau services company in Kuala Lumpur.  Foo has been active in the Information and Communications Technology ("ICT") industry in Malaysia for more than 30 years. He has served as a Councillor, Treasurer and Deputy Chairman in the Association of the Computer & Multimedia Industry of Malaysia ("PIKOM") from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.  Foo has played a pivotal role in growing The Group to become one of the largest ICT distributors in Malaysia and established it as the leading distribution hub in supplying ICT products for Malaysia's knowledge-based economy.
<b>Time committed</b>	: Foo attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



### SOONG JAN HSUNG

55 Years, Malaysian, Male

Executive Director/  
Chief Executive Officer

<b>Date of appointment as Director</b>	: 21 February 1997
<b>Length of service as director since listing on 15 April 2010 (as at 16 April 2019)</b>	: 9 years 0 month
<b>Board Committee(s) served on</b>	: Nil
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science (Honours) majoring in Mathematics from the University of Malaya in 1987
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	<p>: Soong began his career as a Sales Executive with VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.) in 1987. During the next seven years, Soong's hard work and dedication led to several promotions in sales and marketing position to become the General Manager in 1994. Soong was promoted to Executive Director in 2001 and was appointed as a Deputy Chief Executive Officer of VSTECS Berhad (formerly known as ECS ICT Berhad) on 1 January 2014. Subsequently, Soong has been promoted to Executive Director/Chief Executive Officer of VSTECS Berhad with effect from 1 January 2015 to lead and manage The Group, in conjunction with the elevation of Foo as the Executive Chairman of the Board.</p> <p>Soong has more than 20 years of experience in the ICT distribution market. He is also an Executive Director of the subsidiary companies, namely, VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.), VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.), VSTECS KU Sdn. Bhd. (formerly known as ECS KU Sdn. Bhd.) and VSTECS Kush Sdn. Bhd. (formerly known as ECS Kush Sdn. Bhd.). Soong has been primarily responsible for the development of new sales and marketing strategies as well as the ICT product distribution and enterprise systems operations in VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.) and VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.).</p> <p>Soong has contributed significantly to The Group in becoming the leading ICT hub in Malaysia.</p>
<b>Time committed</b>	: Soong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (Tenure including the position as Non-Independent Non-Executive Director) (as at 16 April 2019)</b>	: 9 years 0 month
<b>Length of service since re-designation as Independent Non-Executive Director on 3 April 2017 (as at 16 April 2019)</b>	: 2 years 0 month
<b>Board Committee(s) served on</b>	: Member of Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science (Honours) Degree from LaTrobe University, Australia; and MBA from University of Melbourne, Australia
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: Tay was previously the Group Executive Chairman of VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited). He is the founder of the VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited) and also VSTECS (Singapore) Pte Ltd (formerly known as ECS Computers (Asia) Pte Ltd), a Singapore-based subsidiary. He brings with him more than 30 years of experience in the ICT business. In August 2005, he was conferred the Public Service Medal by the President of the Republic of Singapore in recognition for his public services to the country. He has been re-designated as Independent Non-Executive Director on 3 April 2017.
<b>Time committed</b>	: Tay attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd

### WONG HENG CHONG

68 Years, Malaysian, Male

Independent  
Non-Executive Director



<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (Tenure including the position as Non-Independent Non-Executive Director) (as at 16 April 2019)</b>	: 9 years 0 month
<b>Length of service since re-designation as Independent Non-Executive Director on 8 August 2012 (as at 16 April 2019)</b>	: 6 years 8 months
<b>Board Committee(s) served on</b>	: Chairman of the Audit Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Chartered Accountant:- Chartered Accountants Australia and New Zealand; and Malaysian Institute of Accountants. Diploma in Management Studies from University of Chicago Graduate School of Business.
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Nil
<b>Working experience</b>	: Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited), Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 40 years spanned over diverse industries including Information Technology, engineering, food-manufacturing, retail and wholesale, trading and auditing. He has been re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 8 August 2012.
<b>Time committed</b>	: Wong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



**AHMAD SUBRI BIN  
ABDULLAH**

*69 Years, Malaysian, Male*

*Independent  
Non-Executive Director*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 16 April 2019)</b>	: 9 years 0 month
<b>Board Committee(s) served on</b>	: Chairman of the Remuneration Committee; Member of the Audit Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Chartered Insurer and Fellow of the Chartered Insurance Institute in the United Kingdom and a Fellow of the Malaysian Insurance Institute
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: SBI Offshore Limited Berjaya Sampo Insurance Berhad Pheim Unit Trust Berhad and Group Malaysian Life Reinsurance Group Berhad
<b>Working experience</b>	: Subri is a Director of KDU Management Development Centre Sdn. Bhd., Director of SBI Offshore Limited, Singapore and is now serving as the Director and Advisor of Emerio (Malaysia) Sdn. Bhd., an NTT Communications Company. During the year 2017, Subri has been appointed as the Director of Berjaya Sampo Insurance Berhad, Pheim Unit Trust Berhad and Group and Malaysian Life Reinsurance Group Berhad respectively.  Subri has more than 30 years of experience in the Insurance and Financial Services industry and has previously served as Chairman of the General Insurance Association of Malaysia, a Director of the Malaysian Insurance Institute and Malaysia Export Credit Insurance Bhd.
<b>Time committed</b>	: Subri attended all the 4 Board Meetings.



## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



### HO CHEE KIT

*71 Years, Malaysian, Female*

*Senior Independent  
Non-Executive Director*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 16 April 2019)</b>	: 9 years 0 month
<b>Board Committee(s) served on</b>	: Chairperson of the Nominating Committee; Member of the Audit Committee; and Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Advocate and Solicitor Bachelor of Arts at the University of New England, Australia in 1971
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: Yayasan De La Salle Hospis Malaysia
<b>Working experience</b>	: Ho worked as an audit assistant in a commercial company in Sydney before returning to Malaysia in 1972. She was attached with a property company in Kuala Lumpur before proceeding to read law at Inner Temple, England in September 1975. She was called to the English Bar in June 1978 and the Malaysian Bar in September 1979. Since then, she has been in private legal practice in Malaysia. Ho is one of the founding partners of a law firm in Kuala Lumpur in which she is currently a consultant. She is an experienced lawyer specializing in corporate, financial, commercial, conveyancing, banking, intellectual and industrial property laws and private clients' and business services.  She has previously served as an Independent Director and member of the Audit Committee of Fiamma Holdings Berhad.
<b>Time committed</b>	: Ho attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



<b>Date of appointment as Director</b>	: 4 June 2013
<b>Length of service as director since appointment (as at 16 April 2019)</b>	: 5 year 10 months
<b>Board Committee(s) served on</b>	: Member of the Audit Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor Degree in Economics from University College London; Master Degree in Analysis, Design & Management of Information Systems from London School of Economics and Political Science; Fellow of the Hong Kong Institute of Certified Public Accountants; and Fellow of Institute of Chartered Accountants in England and Wales
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: VSTECS Holdings Limited (Listed on the Stock Exchange of Hong Kong)
<b>Working experience</b>	: Ong was appointed as the Group Chief Executive Officer of VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited) on 1 January 2013 and was appointed as an Executive Director of VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited) on 16 April 2012. Ong is concurrently the Group Chief Financial Officer and Executive Director of VSTECS Holdings Limited (formerly known as VST Holdings Limited), the parent company of VSTECS Holdings (Singapore) Limited (formerly known as ECS Holdings Limited).  Ong has subsequently ceased as a Member of the Remuneration Committee on 21 February 2019.
<b>Time committed</b>	: Ong attended all the 4 Board Meetings.

## PROFILE OF BOARD OF DIRECTORS

(As at 16 April 2019)  
cont'd



<b>Date of appointment as Director</b>	: 19 June 2017
<b>Length of service as director since appointment (as at 16 April 2019)</b>	: 1 year 10 months
<b>Board Committee(s) served on</b>	: Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor Degree of Arts (Honours) in International Business from the University of Huddersfield in the United Kingdom
<b>Present Directorship(s)</b>	
<b>(i) Other Public Listed Companies</b>	: Nil
<b>(ii) Public Companies</b>	: VSTECS Holdings Limited (Listed on the Stock Exchange of Hong Kong)
<b>Working experience</b>	: Chow has more than 20 years of experience in Information Technology industry. She joined VSTECS Holdings Limited Group (formerly known as VST Holdings Limited) ("VSTECS Group") in 1996 and started working in business development for the East and North China Region and was appointed as Operation Director of VSTECS Group in 2002. She is now responsible for the overall business operations and management of the Group.  Currently, Chow is the Executive Director and Group Chief Operating Officer of VSTECS Holdings Limited (formerly known as VST Holdings Limited) which is listed on the Stock Exchange of Hong Kong.  Chow has subsequently been appointed as a Member of the Remuneration Committee on 21 February 2019.
<b>Time committed</b>	: Chow attended all the 4 Board Meetings.

### Notes:-

Save as disclosed above, none of the Directors has:-

- any family relationship with any Director and/or major shareholder of the Company;
- any conflict of interest with the Company;
- any conviction for offences (other than traffic offences) within the past five (5) years; and
- any particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## PROFILE OF SENIOR MANAGEMENT TEAM

For the profile of Soong, please refer to page 19 of the annual report.



**SOONG JAN HSUNG**

*55 Years, Malaysian, Male*

*Executive Director/  
Chief Executive Officer*

**TEE ANG KUAN**

*57 Years, Malaysian, Male*

*Group General Manager*



Tee was promoted to Group General Manager in 2015 in-charge of the overall distribution and services businesses of The Group. Previously, he was the General Manager of VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) overseeing operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management. Tee graduated with Bachelors of Art (Honours) majoring in Economics from the University of Malaya in 1985. After graduation, he began his career with a computer company in sales line. From 1986 to 1995, Tee worked with several ICT distributors in the sales and marketing of ICT products, such as notebook and desktop PCs, printers and software.

In 1996, he joined VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) as a Business Manager and was promoted to General Manager in 1999. He has over 20 years of experience in the ICT distribution market. With his experience and knowledge, he has contributed significantly to the growth of our Group.

## PROFILE OF SENIOR MANAGEMENT TEAM

cont'd



**CHAN PUAY CHAI**

*52 Years, Malaysian, Male  
Chief Financial Officer*

Chan was promoted to Chief Financial Officer of our Group in 2016 in-charge of financial planning and control, financial compliances, credit management, risk management, and other finance related functions. He is an Associate Member of the Chartered Institute of Management Accountants (U.K.) and a registered Accountant with the Malaysian Institute of Accountants.

His past experiences include review of accounting systems, implementation of computerisation, management accounting, budgeting, financial analysis and its related functions. In 1995, Chan joined VSTECS Kush Sdn. Bhd. (formerly known as ECS Kush Sdn. Bhd.) as a Finance Manager and was promoted to Financial Controller in 2005. He has been with our Group for 23 years. With his vast experience in finance industry, he has contributed significantly to the success of our Group.



**CHUAH KEE HENG**

*50 Years, Malaysian, Male  
General Manager of  
VSTECS Astar Sdn. Bhd.*

Chuah was appointed as General Manager of VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) in 2016 in-charge of the operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management.

He graduated with a Degree in Business Administration from Upper IOWA University, USA in 1998. From 1991 to 2016, Chuah worked with several ICT distributors and players in the ICT industry before joining The Group in mid-2016. With his vast experience in ICT industry, he will contribute significantly to the success of our Group.

## PROFILE OF SENIOR MANAGEMENT TEAM

cont'd



### LI CHIN YEO

*45 Years, Malaysian, Male*

*General Manager of  
VSTECS Pericomp  
Sdn. Bhd.*

Li was promoted to General Manager of VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.) in 2018 in-charge of the operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management. Previously, he was the Assistant General Manager in VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.). He graduated with a Bachelor of Commerce from University Of Wollongong, Australia, in 1999. In 2002, he joined VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.) as Support Executive and subsequently promoted to Technology Specialist in 2003, Assistant Business Development Manager in 2006, Business Development Manager in 2007, Product Manager in 2008 and Senior Manager (Sales) in 2012.

#### Notes:-

Save as disclosed above, none of the Senior Management has:-

- (a) any other directorship in public companies and listed issuers;
- (b) any family relationship with any Director and/or major shareholder of the Company;
- (c) any conflict of interest with the Company; and
- (d) any conviction of offences (other than traffic offences) within the past five (5) years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## PROFILE OF MANAGEMENT TEAM

### FOO LEK CHOONG

*43 Years, Malaysian, Male  
Chief Information Officer*



Foo is the Chief Information Officer of our group responsible for the overall IT strategy and technology implementations within The Group. A graduate from Cornell University in 1998 with a degree in Electrical Engineering, he brings a combined 21 years of experience in systems integration of LAN/WAN systems in the ICT industry and market engagement strategies including product development, management and product life-cycle evolution in a national Tier-1 Telco/ISP environment. In his previous roles in the Telco industry, his responsibilities included partnership and alliance management, engagement in analysis and strategic direction of corporate strategy and various market engagement strategies. Foo's experience extends to product development, management, and service life-cycle sustenance with in-depth experience relating to wired and wireless broadband access services.

### CHIN SAI LEONG

*59 Years, Malaysian, Male  
Senior Logistics Manager*



Chin is the Senior Logistics Manager of our Group responsible for the entire warehouse operation of The Group. He obtained a Certificate in Electronics from TAR College in 1979 and joined an electronic company as a Technician, providing technical services to customers. He joined a trading company in 1990 as a Service Supervisor in-charge of assisting and supervising the service team. In 1985, he joined VSTECS Kush Sdn. Bhd. (formerly known as ECS Kush Sdn. Bhd.) as a Service Supervisor and subsequently promoted to Technical Manager in 1991, Logistics Manager in 1997 and Senior Logistics Manager in 2006.

## PROFILE OF MANAGEMENT TEAM

cont'd

### LOO CHEE MENG

*49 Years, Malaysian, Male  
Senior Marketing Manager*



Loo is the Senior Marketing Manager of VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) since 3 May 2016 and he is responsible for the product management, development and marketing strategies of the entity's entire ICT products. He graduated with a Diploma in Telecommunications and Computer Engineering and started his career as customer service representative for a local System Integrator in 1991. From 2004 to 2016, Loo worked with various multi-national ICT principles ranging from Software, Storage, Networking and Security portfolios before joining The Group in mid-2016. With his vast experience in the ICT industry and Channel Management, he aims to levitate The Group's success through the ever changing distribution landscape and market demands.

### YEE CHEE YOON

*45 Years, Malaysian, Female  
Human Resource Manager*



Yee is the Human Resource Manager of our Group responsible for the Human Resource management. She graduated with an Advanced Diploma in Business Administration from Stamford College in 2001 and a Diploma in Human Resource Management from Malaysia Institute of Human Resource Management in 2004. In 1994, she joined a local Bank as a Personal Assistant and was subsequently promoted to Human Resource Officer in 1997. In 2002, she joined a multinational company as an Associate Officer assisting in all HR matters. In 2009, she joined a computer company as a Human Resource & Admin Manager prior joining VSTECS Kush Sdn. Bhd. (formerly known as ECS Kush Sdn. Bhd.) as a Human Resource Manager in 2014.



## PROFILE OF MANAGEMENT TEAM

cont'd

### CHAI MEIW CHENG

*45 Years, Malaysian, Female  
Inventory Manager*



Chai is the Inventory Manager of our Group since 1 October 2017 and she is responsible for the entire inventory management of The Group. She holds a Diploma in Business Administration. In 1997, she joined VSTECS Pericomp Sdn. Bhd. (formerly known as ECS Pericomp Sdn. Bhd.) as sales co-ordinator. She joined VSTECS Astar Sdn. Bhd. (formerly known as ECS Astar Sdn. Bhd.) in 1998 and was promoted to Order Processing Administrator in 1999, Order Processing Executive in 2006 and subsequently promoted as Senior Order Processing Executive in 2009. In year 2015, she was transferred to VSTECS Kush Sdn. Bhd. (formerly known as ECS Kush Sdn. Bhd.) as Assistant Inventory Manager and promoted as Inventory Manager in 2017.





# NEW GROWTH IN IT SERVICES

As part of the ever evolving IT and Telecommunications landscape, the IT Services sector remains a very interesting and promising sector mainly due to the advent of digital lifestyle and connected living spaces. Cloud based services and custom built applications are driving the appetite for app developers and programmers around the world. VSTECS is ever mindful of this market segment, and sees vast opportunities to play an enabling role in this sector.

# CORPORATE INFORMATION

(As at 16 April 2019)

## BOARD OF DIRECTORS

*Non-Independent Non-Executive Chairman*

**FOO SEN CHIN**

*Executive Director/Chief Executive Officer*

**SOONG JAN HSUNG**

*Senior Independent Non-Executive Director*

**HO CHEE KIT**

*Independent Non-Executive Directors*

**WONG HENG CHONG  
AHMAD SUBRI BIN ABDULLAH  
TAY ENG HOE**

*Non-Independent Non-Executive Directors*

**ONG WEI HIAM  
CHOW YING CHI**

## AUDIT COMMITTEE

Wong Heng Chong - *Chairman*  
Ho Chee Kit  
Ahmad Subri Bin Abdullah  
Ong Wei Hiam

## NOMINATING COMMITTEE

Ho Chee Kit - *Chairperson*  
Ahmad Subri Bin Abdullah  
Wong Heng Chong  
Ong Wei Hiam  
Tay Eng Hoe

## REMUNERATION COMMITTEE

Ahmad Subri Bin Abdullah - *Chairman*  
Foo Sen Chin  
Ho Chee Kit  
Ong Wei Hiam (*Ceased on 21 February 2019*)  
Chow Ying Chi (*Appointed on 21 February 2019*)

## SECRETARIES

Chua Siew Chuan (MAICSA 0777689)  
Cheng Chia Ping (MAICSA 1032514)

## REGISTERED OFFICE

Level 7, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur, Wilayah Persekutuan  
Telephone : 03-2084 9000  
Facsimile : 03-2094 9940  
Email : jason.cheng@sshsb.com.my

## SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Telephone : 03-2783 9299  
Facsimile : 03-2783 9222

## AUDITORS

KPMG PLT, Chartered Accountants  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

## PRINCIPAL BANKERS

CIMB Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities  
Berhad on 15 April 2010  
Stock Code : 5162  
Stock Name : VSTECS  
Sector : Technology

# GROUP FINANCIAL HIGHLIGHTS

## REVENUE

**RM1,632.3** million

2017: RM1,838.3 million



-11.2%



## PROFIT FOR THE YEAR

**RM24.6** million

2017: RM26.3 million



-6.3%



## RETURN ON EQUITY

**8.8%**

2017: 9.9%



-11.1%



## EARNINGS PER SHARE

**13.7** sen

2017: 14.6 sen



-6.2%



## DIVIDENDS PER SHARE

**5.0** sen

2017: 5.0 sen



# GROUP FINANCIAL HIGHLIGHTS

cont'd

Financial year ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000 <i>Restated</i>	2018 RM'000
<b>Key Operating Results</b>					
Revenue	1,591,117	1,903,299	1,823,383	1,838,259	<b>1,632,323</b>
Gross Profit	86,735	97,664	92,609	87,470	<b>86,785</b>
Profit Before Tax	39,202	43,614	40,371	35,643	<b>32,775</b>
Profit For The Year	29,432	32,488	30,142	26,268	<b>24,604</b>
<b>As at 31 December</b>					
<b>Key Financial Data</b>					
Total Assets	411,831	430,102	498,481	472,229	<b>478,539</b>
Total Liabilities	187,737	193,320	242,357	199,737	<b>190,443</b>
Total Equity	224,094	236,782	256,124	272,492	<b>288,096</b>
<b>Financial Ratio</b>	%	%	%	%	%
Revenue Growth/(Decline)	20.0	19.6	(4.2)	0.8	<b>(11.2)</b>
Return on Equity	13.7	14.1	12.2	9.9	<b>8.8</b>
Dividend Yield <sup>(1)</sup>	5.1	7.1	4.3	4.1	<b>5.1</b> <sup>(3)</sup>
Dividend Payout Ratio <sup>(2)</sup>	36.7	60.9	35.8	34.3	<b>36.6</b> <sup>(3)</sup>

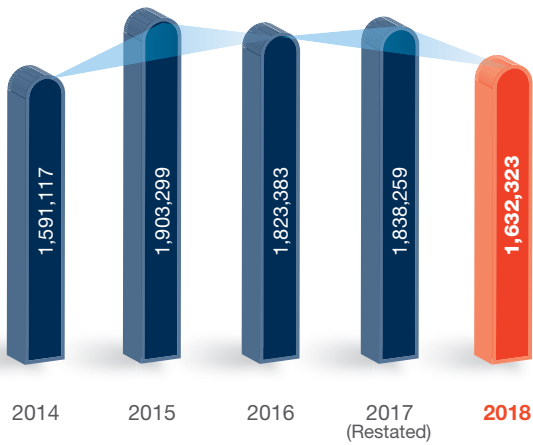
<sup>(1)</sup> Based on total dividend, inclusive Special Dividend, as a percentage of ECSB share price as at 31 December

<sup>(2)</sup> Based on total dividend, inclusive Special Dividend, as a percentage of Basic Earning Per Share

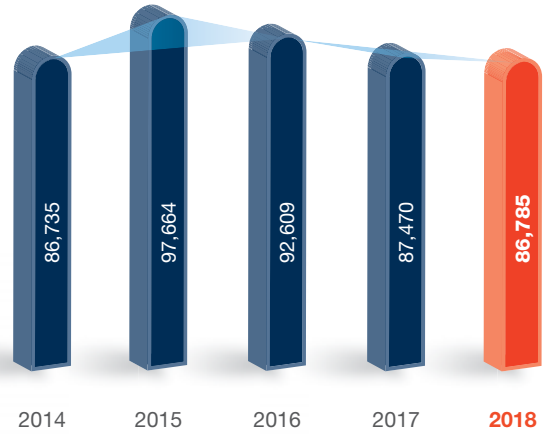
<sup>(3)</sup> Subject to shareholders' approval on final dividend

# GROUP FINANCIAL HIGHLIGHTS

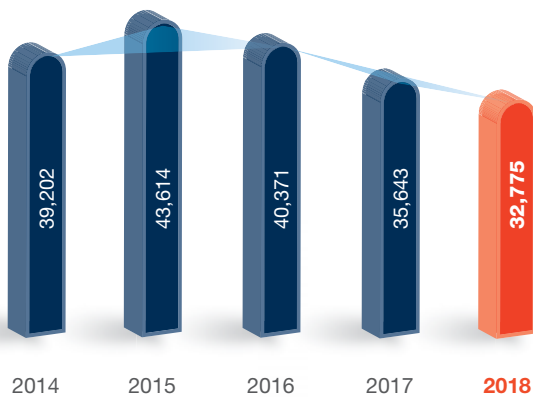
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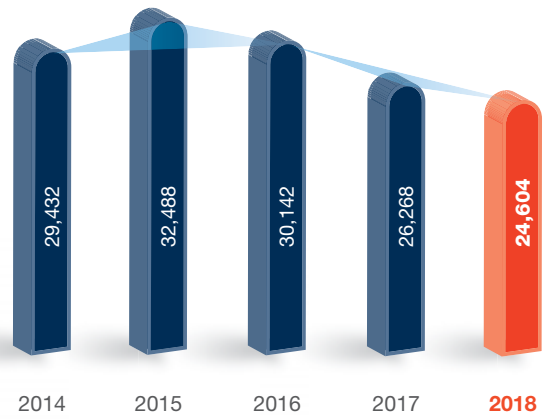
**REVENUE (RM'000)**



**GROSS PROFIT (RM'000)**



**PROFIT BEFORE TAX (RM'000)**



**PROFIT FOR THE YEAR (RM'000)**

# GROUP CORPORATE STRUCTURE

