

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Non-Independent  
Non-Executive Chairman*

**LEE MARN FONG @  
WU MARN FONG**

*Executive Director/  
Chief Executive Officer*

**SOONG JAN HSUNG**

*Senior Independent  
Non-Executive Director*

**WONG HENG CHONG**

*Non-Independent  
Non-Executive Director*

**ONG WEI HIAM**

*Independent Non-Executive Directors*

**DATO' KHOO SIN AIK**

**ABDUL AZIZ BIN ZAINAL ABIDIN**

**ANNE RODRIGUES NEE  
KOH LAN HEONG**  
*(Appointed on 30 December 2022)*

**CHERYL KHOR HUI PENG**  
*(Resigned on 12 July 2022)*

### AUDIT COMMITTEE

Abdul Aziz Bin Zainal Abidin – *Chairman*  
Wong Heng Chong  
Ong Wei Hiam  
Anne Rodrigues Nee Koh Lan Heong  
*(Appointed on 21 February 2023)*  
Cheryl Khor Hui Peng  
*(Resigned on 12 July 2022)*

### NOMINATING COMMITTEE

Wong Heng Chong – *Chairman*  
Ong Wei Hiam  
Dato' Khoo Sin Aik

### REMUNERATION COMMITTEE

Dato' Khoo Sin Aik – *Chairman*  
Abdul Aziz Bin Zainal Abidin  
Ong Wei Hiam  
*(Appointed on 23 August 2022)*  
Cheryl Khor Hui Peng  
*(Resigned on 12 July 2022)*

### SECRETARIES

Chua Siew Chuan (MAICSA 0777689)  
*(SSM PC NO. 201908002648)*  
Cheng Chia Ping (MAICSA 1032514)  
*(SSM PC NO. 202008000730)*

### 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@sshshb.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

1

**+5.5%****REVENUE****RM2,770.6** million

2021: RM2,625.8 million



2

**+8.5%****PROFIT  
AFTER TAX****RM59.7** million

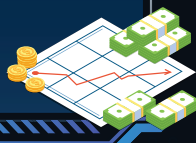
2021: RM55.0 million



3

**-1.9%****RETURN  
ON EQUITY****15.2%**

2021: 15.5%



4

**+8.4%****EARNINGS  
PER SHARE****16.7** sen

2021: 15.4 sen



5

**DIVIDEND PER SHARE****6.2** sen**+8.8%**

2021: 5.7 sen



## GROUP FINANCIAL HIGHLIGHTS

cont'd

Financial year ended 31 December	2018	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Key Operating Results</b>					
Revenue	1,632,323	1,802,284	2,017,489	2,625,818	<b>2,770,614</b>
Gross Profit	86,785	93,174	106,003	139,371	<b>149,783</b>
Profit Before Tax	32,775	39,306	48,478	74,428	<b>80,112</b>
Profit For The Year	24,604	29,594	36,781	54,992	<b>59,680</b>
<b>As at 31 December</b>					
<b>Key Financial Data</b>					
Total Assets	478,539	547,915	559,321	688,270	<b>713,992</b>
Total Liabilities	190,443	240,133	225,098	312,443	<b>302,876</b>
Total Equity	288,096	307,782	334,223	375,827	<b>411,116</b>
<b>Financial Ratio</b>					
	%	%	%	%	%
Revenue Growth/(Decline)	(11.2)	10.4	11.9	30.2	<b>5.5</b>
Return on Equity	8.8	9.9	11.5	15.5	<b>15.2</b>
Dividend Yield <sup>(1)</sup>	5.2	3.8	3.5	4.6	<b>5.3</b>
Dividend Payout Ratio <sup>(2)</sup>	36.6	33.3	34.0	37.0	<b>37.0</b>

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

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

## GROUP FINANCIAL HIGHLIGHTS

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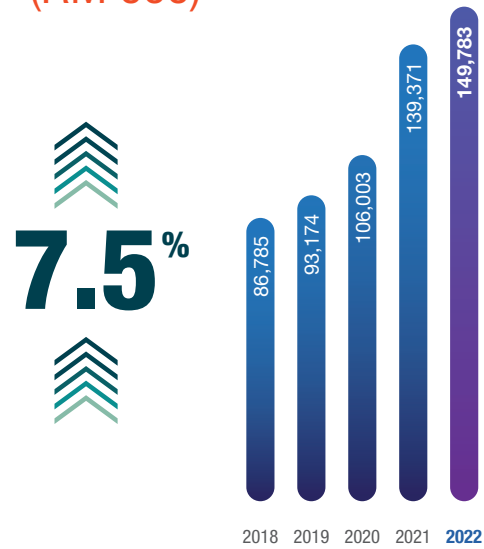
### REVENUE

(RM'000)



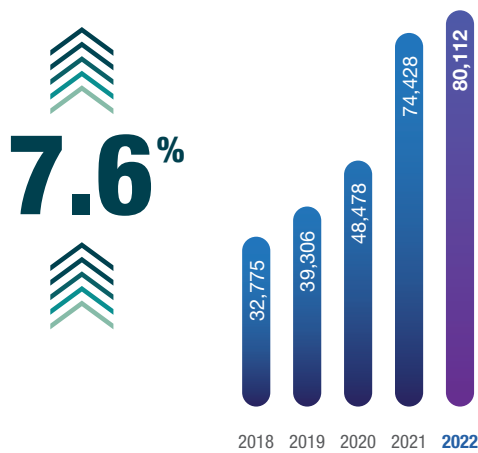
### GROSS PROFIT

(RM'000)



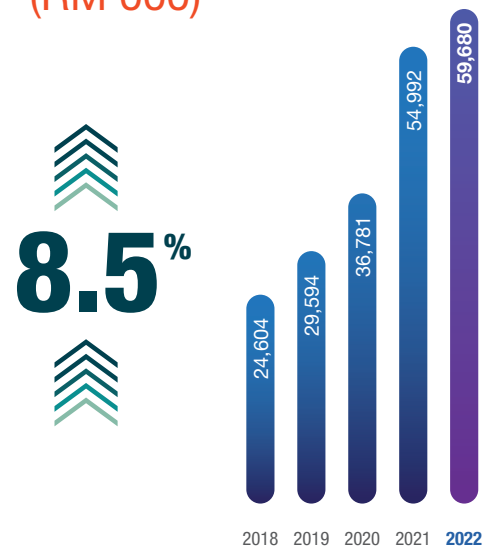
### PROFIT BEFORE TAX

(RM'000)

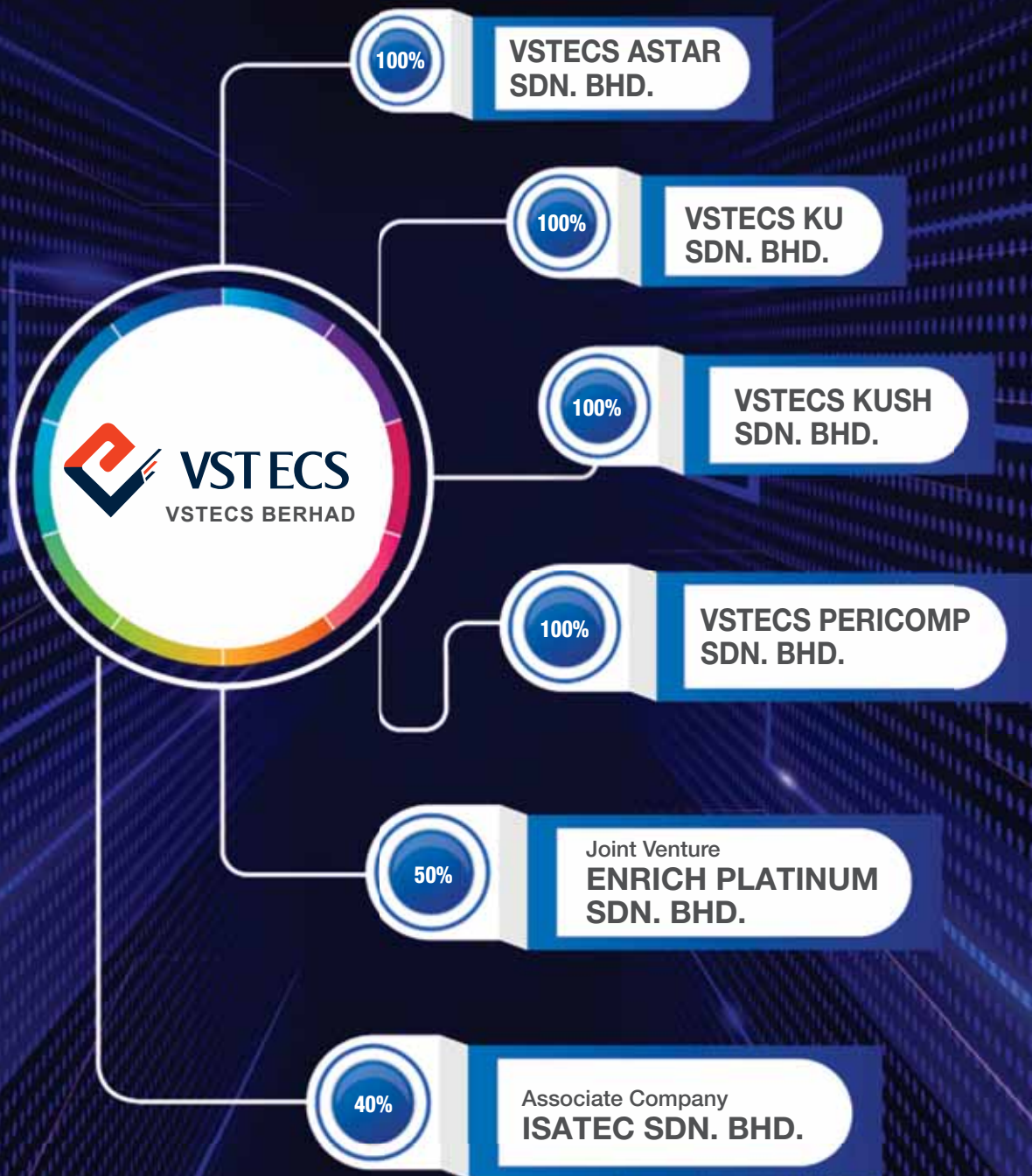


### PROFIT FOR THE YEAR

(RM'000)



## GROUP CORPORATE STRUCTURE



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

*Corporate governance is holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources.*

(Sir Adrian Cadbury, 20 September 1999)

Subscribing to Sir Cadbury's ethos on corporate governance ("**CG**"), the Board of Directors ("**the Board**") of VSTECS Berhad ("**VSTECS**" or "**the Company**") views corporate governance as a fundamentally essential process contributing towards achieving long-term shareholders' value, taking into account the interest of other stakeholders.

The Board noted that the goal of good CG is to establish an effectively organised management structure and system that will enable the Company to meet the needs and expectation of its stakeholders.

## VSTECS's CG Commitment

The Company and its subsidiaries ("**Group**") are fully committed to business integrity, transparency and professionalism whilst pursuing their corporate objectives to enhance shareholders' value and their overall competitive positioning. As part of this commitment, the Board recognises the importance of governance and plays an active role in administering and reviewing the Group's governance practices and framework to ensure its relevance and ability to meet future challenges.

The Board takes note of the updates on the Malaysian Code on CG issued by the Securities Commission Malaysia ("**SC**") with effect from 28 April 2021 ("**MCCG 2021**"). MCCG 2021 introduces new practices and additional guidance to strengthen the CG culture of public listed companies.

The Board is pleased to present this CG Overview Statement ("**CG Statement**") to provide the investors with an overview of the extent of compliance with three (3) Principles as set out below in MCCG 2021 under the stewardship of the Board for the financial year ended 31 December 2022 ("**FYE2022**") and/or up to the date of this CG Statement (where applicable) (hereinafter referred to as "**Applicable Period**"):-

### Principle A

Board Leadership & Effectiveness

### Principle B

Effective Audit & Risk Management

### Principle C

Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

This CG Statement also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). In addition, the Corporate Governance Report ("**CG Report**") which sets out the application of each Practice is available for viewing in the Company's corporate website at

[www.vstecs.com.my](http://www.vstecs.com.my)

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## VSTECS's Key CG Focus Area

The Board is pleased to provide below a snapshot of the key CG focus areas during the Applicable Period for information:-

MCCG Practices	Applications by VSTECS				
<p style="text-align: center;"><b>Practice 1.1</b></p> <p style="text-align: center;"><b>Key Responsibilities of the Board</b></p>	<ul style="list-style-type: none"> <li>✓ Strategic planning and direction to Chief Executive Officer (“<b>CEO</b>”), his Senior Leadership and management teams.</li> <li>✓ Business overview on consumer and industrial trends as well as the Group’s financial performance oversight.</li> <li>✓ Risk Management oversight vide the Audit Committee (“<b>AC</b>”) – which in turn is assisted by the Enterprise Risk Management (“<b>ERM</b>”) Committee.</li> <li>✓ Human resources planning and remuneration – ensure Executive Management retain key senior leadership personnel and management with integrity and competence.</li> <li>✓ Stakeholders’ communication – designated spokesperson for external parties and general public.</li> <li>✓ Internal Control and compliance – ensure robustness, adequate and with integrity.</li> <li>✓ Review of financial and non-financial reporting from Management, External Auditors, Outsourced Internal Auditors and In-House Internal Auditors.</li> <li>✓ Adoption of good corporate governance culture that engenders integrity, transparency and fairness.</li> </ul>				
<p style="text-align: center;"><b>Practice 4.1</b></p> <p style="text-align: center;"><b>The Board and management take responsibility for the governance of sustainability in the company</b></p>	<p><b>Environmental, Social and Governance (“ESG”) considerations</b></p> <ul style="list-style-type: none"> <li>✓ The Board has been proactively considering sustainability matters, in particular the ESG issues during FYE2022 when it receives the strategic planning updates by the CEO.</li> <li>✓ For FYE2022, the Board received industry briefing update by International Data Corporation (“<b>IDC</b>”) and being kept abreast with sustainability issues relevant to the Group and its businesses.</li> <li>✓ In respect of risk management oversight, the AC and Board received updates from ERM Committee on changes to risk rankings and risk mitigation measures on a quarterly basis.</li> <li>✓ To further enhance the role of the ERM in tandem with the emphasis on ESG considerations, the Board has established two sub-committees under ERM Committee, chaired by key senior leadership and management personnel:- <table border="1" data-bbox="639 1865 1430 2027" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><b>Environmental, Social and Governance Committee (“ESGC”)</b></td> <td style="padding: 5px;">Chaired by Chief Financial Officer (“<b>CFO</b>”)</td> </tr> <tr> <td style="padding: 5px;"><b>Health and Safety Committee</b></td> <td style="padding: 5px;">Chaired by management team</td> </tr> </table> </li> </ul>	<b>Environmental, Social and Governance Committee (“ESGC”)</b>	Chaired by Chief Financial Officer (“ <b>CFO</b> ”)	<b>Health and Safety Committee</b>	Chaired by management team
<b>Environmental, Social and Governance Committee (“ESGC”)</b>	Chaired by Chief Financial Officer (“ <b>CFO</b> ”)				
<b>Health and Safety Committee</b>	Chaired by management team				

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## Adoption of Step Up Practices

The Board is pleased to inform that VSTECS has gone a step further in strengthening its governance practices and processes by adopting the following Step Up Practices of MCCG 2021:-

MCCG Step-Up Practices	Applications by VSTECS
<p><b>Step Up Practice 4.5</b></p> <p><b>A designated person within management to provide dedicated focus to manage sustainability strategically</b></p>	<ul style="list-style-type: none"> <li>✓ The Board has designated the CFO of the Company as the Head of ESGC.</li> <li>✓ As a key senior leadership personnel, the CFO has been tasked to lead the ESGC with the following key responsibility areas:- <ul style="list-style-type: none"> <li>- Identify, evaluate and manage environmental impacts arising from business operations; and</li> <li>- Identify, address and improve on workforce environment and social well-being.</li> </ul> </li> </ul>

The detail applications of each of the three (3) key CG principles were set out below:-

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### (1) Board Responsibilities

#### 1.1 Roles and Responsibilities of the Board

For the Applicable Period, the Board has discharged its responsibilities as follow:-

<p><b>Leadership &amp; Stewardship</b></p>	<ul style="list-style-type: none"> <li>• Responsible for the overall CG, strategic direction, corporate goals and therefore monitors the achievement of these goals; and</li> <li>• During the uncertain period arising from the lockdown imposed by the Government of Malaysia to manage the Covid-19 pandemic, the Board together with the CEO have exhibited proactive leadership by providing job assurance to all employees as well as maintaining constant communication to update the employees on any development/regulations by the authorities.</li> </ul>
<p><b>Strategy Planning</b></p>	<ul style="list-style-type: none"> <li>• Attended a two-day offsite Strategy Planning session with senior leadership and management teams of the Group for brainstorming and strategy formulation; and</li> <li>• Reviewed the strategic plan for the Group (including strategies on economic, environmental and social considerations underpinning sustainability), as tabled by the CEO.</li> </ul>
<p><b>Overseeing the conduct of the Group's business</b></p>	<ul style="list-style-type: none"> <li>• Supervise and assess Senior Leadership team's performance to determine whether the Company's business has been properly managed; and</li> <li>• Providing advices/guidance to Senior Leadership team on business issues faced by Senior Leadership team;</li> </ul>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.1 Roles and Responsibilities of the Board *cont'd*

<p><b>Risk Identification &amp; Risk Management</b></p>	<ul style="list-style-type: none"> <li>• Take cognisance of the principal risks of the Company's business and understanding the rationale and business decisions made arising from taking appropriate risks as well as the risk mitigation measures; and</li> <li>• To receive updates from ERM Committee on a quarterly basis on the risk ranking and risk appetite of Senior Leadership team in managing financial and non-financial risks.</li> </ul>
<p><b>Succession Planning</b></p>	<ul style="list-style-type: none"> <li>• Ensuring business continuity of the Group by reviewing the emergency succession plan of Senior Leadership team and Board; and</li> <li>• Ensuring orderly succession of the vacant position of the Board's Chairman, in view of the unfortunate passing of the late Mr. Foo Sen Chin, the Company's founder and former Board Chairman.</li> </ul>
<p><b>Shareholders' Communication Policy and Activities</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the stakeholders' communication activities undertaken by the Company's nominated spokesperson; and</li> <li>• During the Applicable Period, 5 press releases were issued and 6 analysts/retail briefings were held with designated stakeholders.</li> </ul>
<p><b>Adequacy and integrity of management information and internal controls system of the Group</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy and the integrity of the Group's internal control systems and ERM Framework;</li> <li>• Receiving financial and non-financial reporting from Management/advisor such as External Auditor/Internal Auditors and whether any disclosure made were consistent with Directors' own knowledge of Company's affairs; and</li> <li>• 2 private sessions (without the presence of the executive Senior Leadership team) were held between the AC and the External Auditors.</li> </ul>
<p><b>ESG consideration</b></p>	<ul style="list-style-type: none"> <li>• Promote good corporate governance culture within the Group by establishing all the governance policies and procedures and monitor the implementation thereof by the Senior Leadership and Management teams;</li> <li>• Ensure the ERM Committee added the ESG risk into the risk ranking table for risk assessment purposes;</li> <li>• To further enhance the role of the ERM in tandem with the emphasis on ESG considerations, the Board has established two sub-committees under ERM Committee, namely ESG Committee and Health &amp; Safety Committee, chaired by Senior Leadership and management personnel, respectively;</li> <li>• Ensure the ERM Committee reviewed the material sustainability matters and verified the data presented in the Sustainability Statement prior to undertaking final review of the Sustainability Statement for disclosure in the Annual Report 2022; and</li> <li>• Review of the Sustainability Statement.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.1 Roles and Responsibilities of the Board *cont'd*

Details of the roles and responsibilities of the Board were set out in Practice 1.1 of the CG Report, available for viewing in the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

#### 1.2 Key Responsibilities of the Chairman of the Board

The unfortunate passing of the late Mr. Foo Sen Chin on 18 November 2021 has rendered the position of the Board Chairman became vacant unexpectedly. In line with the Company's Succession Planning Policy, the Board has kick-started the search to identify a successor for the vacant Board Chairman. Upon the due process of identification and evaluation by the Nominating Committee, the Board has appointed Madam Lee Marn Fong @ Wu Marn Fong ("**Madam Lee**") as the Non-Independent Non-Executive Chairman with effect from 16 February 2022.

Non-Independent  
Non-Executive Chairman

Madam Lee Marn Fong @  
Wu Marn Fong  
("**Madam Lee**")

As the Board Chairman, Madam Lee is primarily responsible for:-

- leading the Board in setting the direction and policies of the Group;
- advising on the strategic plans for medium to long-term growth of the Group;
- representing the Board to shareholders and, to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders;
- ensuring the integrity of the governance process and issues;
- maintaining regular dialogue with the CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives her cause for major concern;
- ensuring that CEO and Senior Leadership team as well as management look beyond their executive function and accept their share of responsibilities in governance;
- guiding and mediating Board actions with respect to organisational priorities and governance concerns; and
- performing other responsibilities assigned by the Board from time to time.

The roles and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 5.2 of the Board Charter, available for viewing under the "Corporate Governance" section of the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

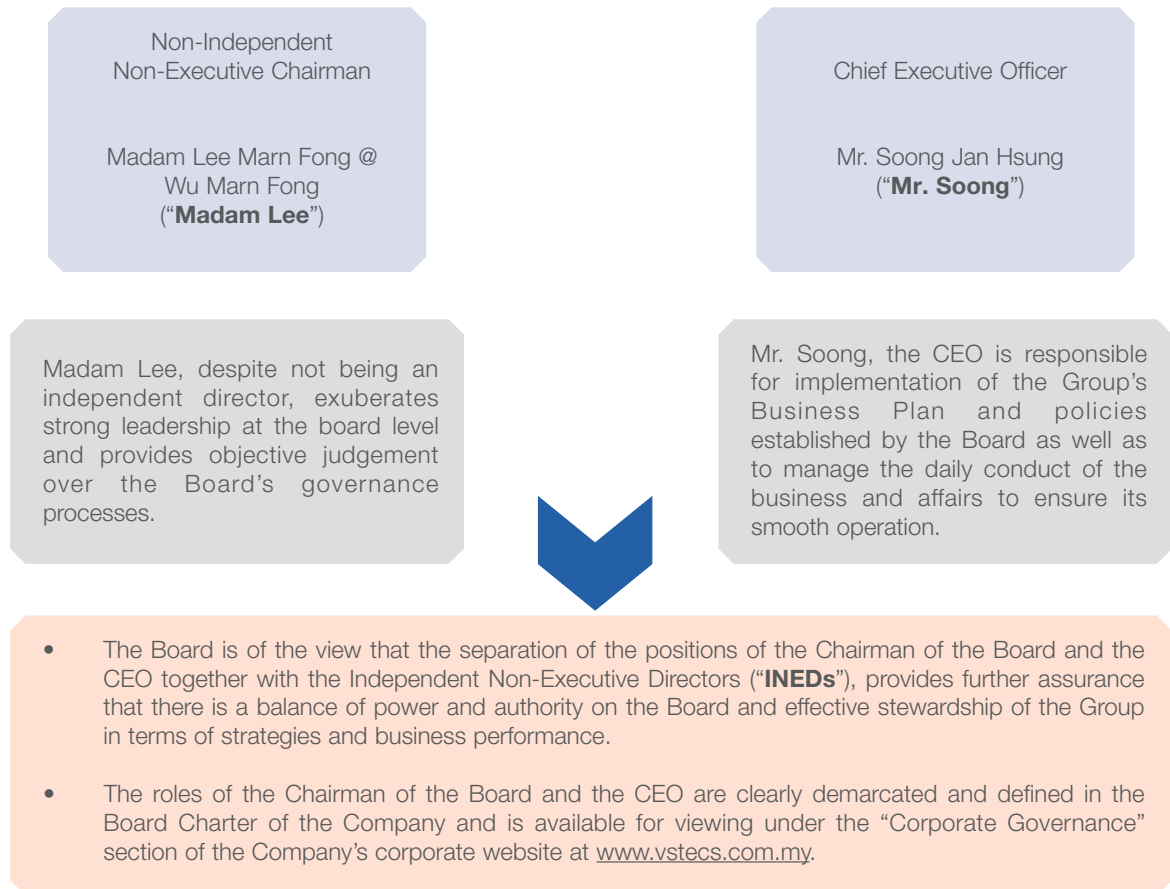
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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.3 Separation of the positions of the Chairman of the Board and the CEO

The Board recognises the importance of having a clearly accepted division of roles and responsibilities at the head of the Group to ensure a balance of power and authority.



MCCG Practices	Applications by VSTECs
<p><b>Practice 1.4</b></p> <p><b>The Chairman of the board should not be a member of the audit committee, nomination committee or remuneration committee</b></p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ Madam Lee, the Chairman of the Board in FYE2022, does not sit on any Board Committee.</li> <li>✓ This facilitates the Board to have better check and balance function as well as objective review by the Board on matters recommended by the Board Committees.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.4 Company Secretaries

MCCG Practices	Applications by VSTECs
<p data-bbox="411 667 549 696"><b>Practice 1.5</b></p> <p data-bbox="325 725 638 981"><b>The board is supported by a suitably qualified and competent company secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.</b></p> <p data-bbox="427 1041 533 1070"><b>APPLIED</b></p>	<p data-bbox="699 645 1436 703">✓ The Board is supported by two (2) suitably qualified and competent Company Secretaries as follows:-</p> <ul data-bbox="762 734 1120 792" style="list-style-type: none"> <li data-bbox="762 734 1120 763">• Ms. Chua Siew Chuan, FCIS</li> <li data-bbox="762 763 1120 792">• Mr. Cheng Chia Ping, ACIS</li> </ul> <p data-bbox="699 819 1436 1048">✓ <b>Qualifications</b> Both are members of the Malaysian Institute of Chartered Secretaries and Administrators (“<b>MAICSA</b>”) and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 (“<b>CA 2016</b>”). Both have also obtained their Practising Certificate issued by the Companies Commission of Malaysia pursuant to Section 241(1) of the CA 2016.</p> <p data-bbox="762 1079 1436 1191">Details of the qualifications and experience of the Company Secretaries are set out in Practice 1.5 of the CG Report, available for viewing in the Company’s corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p> <p data-bbox="699 1223 1436 1393">✓ <b>Unrestricted access to the Company Secretary</b> The appointment and removal of the Company Secretaries is a matter for the Board. All Directors have access to the advice and services of the Company Secretaries, who are responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.</p> <p data-bbox="699 1424 1436 1854">✓ <b>Minute-taker</b> The Company Secretaries ensure that the deliberations at the Board meetings are well captured and minuted.</p> <p data-bbox="762 1541 1436 1854">Minutes of the Board Meetings have been accurately recorded by the Company Secretaries to reflect the deliberations, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities. The minutes were then tabled at the next following Board Meeting for perusal and confirmation. Upon Directors’ confirmation, the Chairman of the Board Meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the registered office of the Company to be made available for inspection under the CA 2016.</p> <p data-bbox="699 1886 1436 1998">✓ <b>Facilitator</b> The Company Secretaries also play a key role to facilitate communication between the Board and Senior Leadership team.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.4 Company Secretaries *cont'd*

MCCG Practices	Applications by VSTECS
	<p>✓ <b>Continuous Professional Development</b> The Company Secretaries had and will continue to constantly keep themselves abreast on matters concerning company law, capital market, corporate governance, other pertinent matters and with changes in the same regulatory environment, through continuous training and industry updates.</p> <p>For FYE2022, the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries to enhance their ability in discharging their duties and responsibilities.</p> <p>In addition, for FYE2022, the Company Secretary has attended the Virtual IDC Briefing alongside the Directors to keep abreast on the industry development.</p> <p>✓ The Board is satisfied with the performance and support rendered the Company Secretaries to the Board in discharging its functions.</p>

#### 1.5 Circulation of meeting materials

MCCG Practices	Applications by VSTECS
<p><b>Practice 1.6</b></p> <p><b>Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.</b></p> <p><b>APPLIED</b></p>	<p>✓ As a standing practice, the notice of the Board Meetings is served at least seven (7) days before each Board Meetings. In compliance with Practice 1.6 of the MCCG 2021 as well as the Board Charter of the Company, by leveraging on technology, comprehensive meeting materials have been circulated in electronic form via e-mail at least seven (7) days prior to the Meetings to allow ample time for the Directors to consider the relevant information.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.6 Board Charter

MCCG Practices	Applications by VSTECs
<p><b>Practice 2.1</b></p> <p>The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–</p> <ul style="list-style-type: none"> <li>the respective roles and responsibilities of the board, board committees, individual directors and management; and</li> <li>issues and decisions reserved for the board.</li> </ul> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ The Board has adopted a Board Charter which governs how the Board conducts its affairs. The Board Charter is applicable to all Directors of the Company and, amongst other things, provides for that all Directors must avoid conflicts of interest between their private financial activities and their part in the conduct of Company's business.</li> <li>✓ The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Group, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia.</li> <li>✓ <b><u>Publication on the corporate website</u></b></li> </ul> <p>A copy of the Board Charter is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p>

#### 1.7 Code of Conduct and Ethics

MCCG Practices	Applications by VSTECs
<p><b>Practice 3.1</b></p> <p>The board establishes a <i>Code of Conduct and Ethics</i> for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.</p> <p>The <i>Code of Conduct and Ethics</i> is published on the company's website.</p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ One of the key roles of the Board is to promote good business conduct which engenders integrity, transparency and fairness that permeates throughout the Group. Consequently, the Board has formalised the following Codes in compliance with Practice 3.1 of the MCCG 2021 to ensure the implementation of appropriate internal systems for the Senior Leadership and Management teams to support, promote and ensure its compliance. <ul style="list-style-type: none"> <li>(a) Directors' Code of Ethics; and</li> <li>(b) VSTECs's Code of Conduct.</li> </ul> <p>(Collectively, referred to as the "<b>Codes</b>")</p> </li> <li>✓ <b><u>Publication on the corporate website</u></b></li> </ul> <p>A copy of each of the Codes is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.8 Anti-Bribery and Corruption Policy ("ABC Policy")

In line with global trends in anti-corruption legislations, amendments to the Malaysian Anti-Corruption Commission Act 2009 ("**MACC Act 2009**") have been passed by Parliament, the Board has on 28 May 2020 adopted an Anti-Bribery and Corruption Policy to prevent the occurrence of corrupt practices within the Group.

Stand guided by the five principles as illustrated in the Guidelines on Adequate Procedures pursuant to Section 17A(5) of the MACC Act 2009, the Board had been taken steps and actions to prevent the occurrence of corrupt practices:-

- Top Level Commitment;
- Risk Assessment;
- Undertake Control Measures;
- Systematic Review, Monitoring and Assessment; and
- Training and Communication.

Compliance of ABC Policy and practices is further supported with internal operational policies which are published on employees' intranet and accessible by all employees.

For FYE2022, the Board has revised the ABC Policy following the appointment of Madam Lee as the Board Chairman in order to designate the latter as one of the designated reporting channel for anti-bribery and anti-corruption matters.

A copy of the revised ABC Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

For FYE2022, the Group has undertaken the following activities:-

- (1) Online Anti-Bribery and Corruption training by Crowe CPE for all staff; and
- (2) Integrity pledge/declaration by the staff of the Group.

Anti-Bribery and Corruption training is included in the orientation program for all new employees.

#### 1.9 Whistle-Blowing Policy and Procedures

MCCG Practices	Applications by VSTECs
<div style="background-color: #e6eef2; padding: 10px; border-radius: 10px; margin-bottom: 10px;"> <p><b>Practice 3.2</b></p> <p><b>The board establishes, reviews and together with management implements policies and procedures on whistle-blowing.</b></p> </div> <div style="background-color: #e6eef2; padding: 10px; border-radius: 10px; margin-bottom: 10px;"> <p><b>APPLIED</b></p> </div>	<ul style="list-style-type: none"> <li>✓ Whistle-blowing is an act of voluntary disclosure/reporting to Senior Leadership and Management teams of the Group for further action of any improper conduct committed or about to be committed by an employee, officer or management of the Group.</li> <li>✓ As guided by Guidance 3.2 of the MCCG 2021, the Board has adopted a Whistle-Blowing Policy and Procedures. This Policy shall also similarly apply to all the vendors, partners, associates or any individuals, including the general public, in the performance of their assignment or conducting the business for or on behalf of the Group.</li> <li>✓ For FYE2022, the Board has revised Whistle-Blowing Policy following the appointment of Madam Lee as the Board Chairman in order to designate the latter as one of the designated reporting channel for whistle-blowing matters.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.9 Whistle-Blowing Policy and Procedures *cont'd*

MCCG Practices	Applications by VSTECS
	<p>✓ <b><u>Publication on the corporate website</u></b></p> <p>A copy of the revised Whistle-Blowing Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p> <p>✓ <b><u>Handling of Reported Allegation(s)</u></b></p> <p>The AC is responsible for the interpretation and supervision of the enforcement of this Policy. The action to be taken by the Group in response to a report of concern under this Policy will depend on the nature of the concern. The AC shall receive information on each report of concern and ensure that follow-up actions be taken accordingly.</p> <p>✓ <b><u>Communication and Feedback Channel</u></b></p> <p>In general, whistleblowers are expected to utilise the appropriate channels provided, prior to making public statements (as a last resort measure).</p> <p>In line with the advent of technology and electronic communications, report(s) can now be made in verbal or in writing/e-mail and forwarded in a sealed envelope to the designated person(s) as set out in Practice 3.2 of the CG Report which available for viewing in the Company’s corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>, labelling with a legend such as “To be opened by the AC Chairman/ Non-Independent Non-Executive Chairman/ CEO or Head of Human Resources only” (where applicable).</p> <p>✓ For FYE2022, there was one (1) whistle-blowing report being made and was duly investigated and resolved by Senior Leadership team under the supervision of the AC.</p>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (1) Board Responsibilities *cont'd*

#### 1.10 Sustainability Policy

MCCG Practices	Applications by VSTECs
<p><b>Practice 4.2</b></p> <p>The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.</p> <p><b>APPLIED</b></p>	<p>✓ The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.</p> <p>✓ The Board has adopted a Sustainability Policy which apply to the Group. Vide the ERM Committee, the Board has set long-term and short-term targets for its sustainability efforts. The targets must be set along with metrics for measurement, tracking and reporting. The Company will integrate the metrics into the Company's performance management as part of the sustainability strategy.</p> <p>✓ <b><u>Publication on the corporate website</u></b></p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p>

### (2) Board Composition

MCCG Practices	Applications by VSTECs
<p><b>Practice 5.1</b></p> <p>The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.</p> <p><b>APPLIED</b></p>	<p>✓ For FYE2022, the tenure of each Director has been reviewed by the NC and annual re-election of a Director has been contingent on satisfactory evaluation of the Directors' performance and contribution to the Board:-</p> <p><b>(a) Re-election of Directors</b></p> <p>All Directors are subject to election by shareholders at the first opportunity after their appointment in the next annual general meeting ("<b>AGM</b>"). The Constitution of the Company ensures that at least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM and all Directors stand for re-election at least once in every three (3) years.</p> <p>Pursuant to Clause 21.6 of the Constitution of the Company, the following Directors are to retire at the forthcoming Twenty-Seventh ("<b>27<sup>th</sup></b>") AGM (hereinafter referred to as "<b>the Retiring Directors</b>"):-</p> <ul style="list-style-type: none"> <li>• Mr. Soong Jan Hsung; and</li> <li>• Encik Abdul Aziz Bin Zainal Abidin.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

MCCG Practices	Applications by VSTECs
	<p><b>(a) Re-election of Directors <i>cont'd</i></b></p> <p>The NC has conducted the following assessment based on the criteria as prescribed by the Main LR of Bursa Securities (“<b>Prescribed Criteria</b>”) for the Retiring Directors:-</p> <ul style="list-style-type: none"> <li>• Mix of skills;</li> <li>• Character;</li> <li>• Experience;</li> <li>• Integrity;</li> <li>• Competence; and</li> <li>• Time commitment to discharge their roles.</li> </ul> <p>The NC, as guided by the Directors’ Assessment Policy, has undertaken a formal assessment of the Retiring Directors using the Prescribed Criteria as well as non-Prescribed Criteria such as the following:-</p> <ul style="list-style-type: none"> <li>• Participation at the Board Committee(s)/Board Meeting(s);</li> <li>• Advice/Guidance rendered to the Board Committee(s) and/or Board based on individual experience and background; and</li> <li>• The Retiring Directors’ fitness and propriety with reference to the Directors’ Fit and Proper Policy.</li> </ul> <p>Being satisfied with the performance as well as the fit and properness of the Retiring Directors, the NC and in turn, the Board has recommended to shareholders, their re-election at the forthcoming 27<sup>th</sup> AGM.</p> <p><b>(b) Re-appointment to the Board</b></p> <p>Pursuant to Clause 21.10 of the Constitution of the Company, any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.</p> <p>Madam Anne Rodrigues had been appointed as an INED on 30 December 2022. She is required to retire at the forthcoming 27<sup>th</sup> AGM pursuant to Clause 21.10 of the Constitution of the Company.</p> <p>The NC, as guided by the Directors’ Assessment Policy, has undertaken a formal assessment of Madam Anne Rodrigues, using prescribed criteria. The NC also considered Madam Anne Rodrigues’s fitness and propriety with reference to the Directors’ Fit and Proper Policy.</p> <p>Being satisfied with the performance as well as the fit and properness of Madam Anne Rodrigues, the NC and in turn, the Board has recommended to shareholders, her re-appointment at the forthcoming 27<sup>th</sup> AGM of the Company.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

MCCG Practices	Applications by VSTECs
	<p><b>(c) Board composition and mix of skills</b></p> <p>On behalf of the Board, the NC, in appointing or re-appointing a board member, has considered the current composition of the Board and as well as the skills mix matrix of the Board.</p> <p>Upon review, the Board opined that the current composition of 7 members would be optimal to support objective and independent deliberation, review and decision-making process for FYE2022.</p> <p>The biographical details of the Board members are set out in the Directors' Profile section of this Annual Report.</p>
<p><b>Practice 5.2</b></p> <p>At least half the Board comprises independent directors</p> <p><b>APPLIED</b></p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid orange; padding: 10px; text-align: center; width: 20%;"> <p><b>57%</b> <b>INEDs</b></p> </div> <div style="border: 1px solid orange; padding: 10px; text-align: center; width: 20%;"> <p><b>29% NINEDs</b></p> </div> <div style="border: 1px solid orange; padding: 10px; text-align: center; width: 20%;"> <p><b>14% ED</b></p> </div> </div> <ul style="list-style-type: none"> <li>✓ <b>57%</b> of the Board comprises Independent Non-Executive Directors ("<b>INEDs</b>"), <b>29%</b> are Non-Independent Non-Executive Directors ("<b>NINEDs</b>") while the remaining <b>14%</b> is the Executive Director ("<b>ED</b>").</li> <li>✓ As the Board with a majority of INEDs, the Board believed that it would allow for more effective and impartial oversight of management.</li> </ul>
<p><b>Practice 5.3</b></p> <p>The tenure of an independent director does not exceed a term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.</p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ Mr. Wong Heng Chong ("<b>Mr. Wong</b>") has been appointed as an INED of the Company since 8 August 2012, whereby he would have served in that capacity for a cumulative term of more than nine (9) years.</li> <li>✓ Mr. Wong has expressed his intention to relinquish his board directorship upon the conclusion of the forthcoming 27<sup>th</sup> AGM of the Company.</li> <li>✓ As at the date of this Statement, save for Mr. Wong, none of the INEDs of the Company has served the Company exceeding a cumulative term of nine (9) years.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

MCCG Practices	Applications by VSTECs								
<p style="text-align: center;"><b>Practice 5.5</b></p> <p style="text-align: center;"><b>Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender<sup>4</sup></b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<p>✓ The Board through the NC, undergone the four-staged process as follows, for appointment/ re-appointment of the Director:-</p> <table border="1" data-bbox="647 689 1428 1003"> <thead> <tr> <th data-bbox="647 689 858 792">Stage 1</th> <th data-bbox="858 689 1027 792">Stage 2</th> <th data-bbox="1027 689 1177 792">Stage 3</th> <th data-bbox="1177 689 1428 792">Stage 4</th> </tr> </thead> <tbody> <tr> <td data-bbox="647 792 858 1003">Review of the potential candidates based on stated criteria, with due regard to gender diversity</td> <td data-bbox="858 792 1027 1003">Board gaps review</td> <td data-bbox="1027 792 1177 1003">Fit and Proper Review</td> <td data-bbox="1177 792 1428 1003">Recommendation to the Board</td> </tr> </tbody> </table> <p>✓ For FYE2022 and up to the date of this Statement, the NC had reviewed the working experience, skills, capability, competencies, and fit and properness of Madam Anne Rodrigues, and recommended her appointment as an INED of the Company, respectively, to the Board for approval. The Board would in turn, be recommending to shareholders her re-appointment at the forthcoming 27<sup>th</sup> AGM of the Company.</p>	Stage 1	Stage 2	Stage 3	Stage 4	Review of the potential candidates based on stated criteria, with due regard to gender diversity	Board gaps review	Fit and Proper Review	Recommendation to the Board
Stage 1	Stage 2	Stage 3	Stage 4						
Review of the potential candidates based on stated criteria, with due regard to gender diversity	Board gaps review	Fit and Proper Review	Recommendation to the Board						
<p style="text-align: center;"><b>Practice 5.6</b></p> <p style="text-align: center;"><b>In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders.</b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<p>✓ The Board has utilised a variety of sources for the identification of suitable candidates in addition to the recommendations from existing Board members, management or major shareholders.</p> <p>✓ In its quest to search for the best possible candidates, the Board, vide the NC has considered the recommendations from the Institute of Corporate Directors Malaysia and LeadWomen, reputable and independent sources as part of its Stage 1 identification process.</p>								
<p style="text-align: center;"><b>Practice 5.7</b></p> <p style="text-align: center;"><b>The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director<sup>5</sup></b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<p>✓ The details of the Directors interest, position and experience are set out in the Directors' profile in the Annual Report. The performance of the retiring directors is assessed by the NC and the Board before recommendation is made to the shareholders for consideration. For INED, the NC also assesses their relationship with the executives that might influence, or reasonably be perceived to influence their capacity to bring an independent judgement and to act in the best interests of the Company as a whole.</p> <p>✓ The Board has also provided a statement in the Notice of AGM on its opinion in relation to the appointment and/or re-appointment of candidate, together with its rationale for such opinion, for shareholders' consideration and information.</p>								

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

MCCG Practices	Applications by VSTECs
<p><b>Practice 5.8</b></p> <p><b>Nominating Committee is chaired by an independent director or Senior Independent Director</b></p> <p><b>APPLIED</b></p>	<p>✓ Mr. Wong Heng Chong ("<b>Mr. Wong</b>"), the Senior Independent Non-Executive Director ("<b>SINED</b>") is the Chairman of the NC.</p>

### 2.1 Board Diversity

The Board has adopted the Board Diversity Policy to affirm its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity to thrive in good times and weather tough times.

Bearing in mind that an appointment to the Board is a long-term commitment to the Company, the Board has not set any quick-fix target or measure for boardroom diversity but nevertheless works to ensure that there is no discrimination on the basis of, but not limited to, ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, sexual orientation, marital status, education, physical ability or geographic region, during the recruitment of new Board members.

#### 2.1.1 Gender Diversity

For FYE2022 and up to the date of this Statement, there are two (2) female Directors out of seven (7) Directors, representing 28.6% of the total Board members.



The Board is putting its efforts in getting suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board.

Bearing in mind that an appointment to the Board is a long-term commitment to the Company and upon assessment for FYE2022, the Board opined that the current Board number was at optimum level taking into consideration the size and scale of business operations of the Company. Should the Board decide otherwise in the future which will require the appointment of additional Board members, the Board hereby affirms that due consideration on gender diversity would be one of the assessment criteria during the Stage 1 Review Process.

#### 2.1.2 Ethnicity Diversity

Encik Abdul Aziz Bin Zainal Abidin ("**Encik Abdul Aziz**"), an INED of Malay descent, serves as the Chairman of AC and a member of RC.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.1 Board Diversity *cont'd*

##### 2.1.3 Age Diversity

The Board believes that the Directors with younger age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy-making process.

While the general age profile of the majority of the Directors were above fifty years of age, the CEO, Mr. Soong is 59 years of age; while Dato' Khoo, an INED, is 61 years of age, Mr. Ong Wei Hiam, the NINED, is 51 years of age, Encik Abdul Aziz, an INED, is 64 years of age, Madam Anne Rodrigues, an INED, is 72 years of age, and Madam Lee, the NINED, is 75 years of age, respectively which underlines the Board's commitment to age diversity at the Board level appointment.

##### 2.1.4 Geographical Diversity

The Board believes that its composition of Board members of various nationality and expertise/Pan-Asian market experiences greatly enhanced its thought process in strategy making and decision-making process. With its members possessing Pan-Asian market experience in Singapore, Hong Kong and China, the Board could have a better outlook on the trends and development on various jurisdictions in which the Group were operating.

A copy of the Board Diversity Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

### 2.2 Nominating Committee

The NC is chaired by Mr. Wong, who has been redesignated from an INED to a SINED since 16 June 2021.

The NC is governed by the Terms of Reference ("TOR") of the NC. A copy of this TOR is available for reviewing under the "Corporate Governance" section of the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

For FYE2022, the NC comprises exclusively of Non-Executive Directors, majority being INEDs, i.e. two (2) INEDs and one (1) NINED as follows:-

Nominating Committee	Number of Nominating Committee Meetings attended/held in the financial year under review
Wong Heng Chong ( <i>Chairman</i> )	1/1
Dato' Khoo Sin Aik ( <i>Member</i> )	1/1
Ong Wei Hiam ( <i>Member</i> )	1/1

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.2 Nominating Committee *cont'd*

The NC met once during the financial year under review for undertaking the following activities:-

- (a) Conducted the online assessment of the AC Members' Self and Peers and the effectiveness of the AC as a whole;
- (b) Conducted the online assessment of the Board Members' Self and Peers;
- (c) Conducted the online assessment of the Board, the Committees of the Board and the contribution of the CEO and Non-Independent Non-Executive Chairman;
- (d) Assessed the size and composition of the Board and Board Committees;
- (e) Reviewed the adequacy of the Board;
- (f) Reviewed the independence of the Independent Directors;
- (g) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming AGM of the Company;
- (h) Reviewed the attendance of the Board Members at Board and Board Committees Meetings;
- (i) Reviewed the Directors' training programmes attended by the Board of Directors; and
- (j) Reviewed and recommended to the Board on the appointment of a new Director;

#### 2.3 Directors' Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as the Directors of the Company, and to use their best endeavours to attend meetings, regardless of their principal place of residence. This time committed also forms one of the criteria for determining the quantum of the meeting allowance payable to the Board members.

For FYE2022, the Directors have committed a total of 33 hours 47 minutes in discharging their fiduciary duties and oversight function and responsibilities in Board and Board Committee Meetings, as well as the general meetings:-

Type of Meetings	Time Committed
Board of Directors' Meeting	13 hours 17 minutes
Audit Committee Meeting	13 hours 13 minutes
Nominating Committee Meeting	2 hours 47 minutes
Remuneration Committee Meeting	3 hours
Annual General Meeting	1 hour 30 minutes
<b>Total</b>	<b>33 hours 47 minutes</b>

For FYE2022, the Board had convened a total of four (4) Board Meetings for the purposes of deliberating on the Group's quarterly financial results at the end of every quarter and discussing important matters which demanded immediate attention and decision-making. During the Board Meetings, the Board reviewed the operation and performance of the Group and other strategic issues that may affect the Group's business. Relevant employees were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee Meetings. Upon review, the NC noted the Board members have devoted sufficient time and effort to attend Board and/or Board Committee Meetings for FYE2022.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.3 Directors' Time Commitment *cont'd*

For FYE2022, the current Board members achieved a 100% attendance at the Board Meetings held. The attendance record of each Director at the Board Meetings held during FYE2022 is as follows:-

Name of Directors	Attendance	Percentage of Attendance
Lee Marn Fong @ Wu Marn Fong	4 out of 4	100%
Soong Jan Hsung	4 out of 4	100%
Wong Heng Chong	4 out of 4	100%
Dato' Khoo Sin Aik	4 out of 4	100%
Abdul Aziz Bin Zainal Abidin	4 out of 4	100%
Ong Wei Hiam	4 out of 4	100%
Anne Rodrigues Nee Koh Lan Heong <i>(Appointed on 30 December 2022)</i>	-Not Applicable-	-Not Applicable-
Cheryl Khor Hui Peng <i>(Resigned on 12 July 2022)</i>	2 out of 2	100%

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board's direction or approval. In the intervals between Board Meetings, any matters requiring urgent Board's decisions and/or approval can be sought via directors' circular resolution(s) which are supported with all the relevant information and explanations required for an informed decision to be made. Directors' circular resolution(s) which were approved in the intervals between the Board Meetings, would be tabled to the next following Board Meeting for ratification.

#### 2.4 Annual Meeting Timetable

In facilitating the schedule of the Directors, in particular the Directors whose principal place of residence are out of Malaysia, the Company Secretaries will prepare and circulate in advance an annual meeting timetable, which includes all the proposed meeting dates for Board and Board Committee Meetings, as well as the AGM. Upon the concurrence by all the Board members, the annual meeting timetable will be adopted for the applicable financial year.

#### 2.5 Protocol for acceptance of New Directorships

The Board has formalised in the Board Charter its expectations on time commitment for its members as well as the requirement to notify the Chairman prior to accepting any new directorships. Such notification shall also include an indication of time that will be spent on the new appointment.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.6 Directors' Training

The Board acknowledges the importance of continuous education and training to equip itself for the effective discharge of its duties.

At VSTECS, the Board has adopted the following training formats for its Directors:-



All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

For FYE2022, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "**2022 Directors' Trainings**"):-

Name of Directors	Trainings Programmes/Seminars/Forums Attended
Lee Marn Fong @ Wu Marn Fong	<ul style="list-style-type: none"> <li>Insights into Task Force on Climate-Related Financial Disclosures ("TFCD") and Sustainable Finance by KPMG</li> <li>Board of Directors 101 Series: Board Dynamics by Boardroom Corporate Services Sdn. Bhd. and LeadWomen Sdn. Bhd.</li> <li>Malaysia Digital Resiliency Situation Landscape by Internal Data Corporation ("IDC")</li> <li>Mandatory Accreditation Programme ("MAP") for Directors of Public Listed Companies</li> <li>Sustainability training</li> </ul>
Soong Jan Hsung	<ul style="list-style-type: none"> <li>Malaysia Digital Resiliency Situation Landscape by IDC</li> <li>Sustainability training</li> </ul>
Wong Heng Chong	<ul style="list-style-type: none"> <li>Malaysia Digital Resiliency Situation Landscape by IDC</li> <li>Sustainability training</li> </ul>
Dato' Khoo Sin Aik	<ul style="list-style-type: none"> <li>Malaysia Digital Resiliency Situation Landscape by IDC</li> <li>Sustainability training</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.6 Directors' Training *cont'd*

Name of Directors	Trainings Programmes/Seminars/Forums Attended
Abdul Aziz Bin Zainal Abidin	<ul style="list-style-type: none"> <li>Insights into TCFD and Sustainable Finance by KPMG</li> <li>Malaysia Digital Resiliency Situation Landscape by IDC</li> <li>AOB's conversation with Audit Committees by Securities Commission Malaysia</li> <li>Sustainability training</li> </ul>
Ong Wei Hiam	<ul style="list-style-type: none"> <li>Malaysia Digital Resiliency Situation Landscape by IDC</li> <li>Sustainability training</li> </ul>
Madam Anne Rodrigues Nee Koh Lan Heong	<ul style="list-style-type: none"> <li>Overview of ESG and Climate Change by KPMG Management &amp; Risk Consulting Sdn Bhd</li> <li>International Sustainability Standards Boards ("ISSB")-Malaysian Accounting Standards Board ("MASB") Outreach Session on the ISSB's International Financial Reporting Standards ("IFRS") Sustainability Disclosure Exposure Drafts by MASB in collaboration with ISSB</li> <li>Advocacy Session for Directors and Senior Management of Main Market Listed Issuers by Bursa Malaysia Berhad</li> </ul>

In addition, the Company Secretaries and External Auditors update the Board on a regular basis the respective changes and amendments to regulatory requirements and laws and accounting standards to help Directors keep abreast of such developments.

Upon review, the Board concluded that the 2022 Directors' Trainings were adequate.

#### 2023 Directors' Training Needs

Upon review of the training needs of the Directors for the financial year ending 31 December 2023 ("FYE2023"), the Board resolved that the training formats as outlined above be maintained and Senior Leadership team be requested to identify and organise the relevant training sessions accordingly.

### 2.7 Annual Assessment of the Board

<p><b>Practice 6.1</b></p> <p><b>The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition</b></p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ Echoing the theme of "Innovative Transformation", VSTECS has "digitalised" the hardcopy assessment forms.</li> <li>✓ Directors have been completing the online assessment forms at their convenience and the results were electronically compiled.</li> <li>✓ Mr. Wong, as the Chair of the NC led the annual review of board effectiveness, ensuring the performance of each director, the Board Committees as well as the Board as a whole were duly assessed by the NC and documented by the Company Secretaries.</li> <li>✓ On behalf of the Board, the NC conducted the following assessments annually and subsequently reported the respective results to the Board for notation:-               <ul style="list-style-type: none"> <li>(a) Directors' self-assessment and peer assessment survey;</li> <li>(b) Evaluation on the effectiveness of the Board of Directors and the Board Committees;</li> <li>(c) Evaluation on the contribution of the CEO;</li> <li>(d) Evaluation on the contribution of the Non-Independent Non-Executive Chairman; and</li> <li>(e) Annual Assessment of Independence of Directors.</li> </ul> </li> </ul>
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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (2) Board Composition *cont'd*

#### 2.7 Annual Assessment of the Board *cont'd*

MCCG Practices	Applications by VSTECS
	<ul style="list-style-type: none"> <li>✓ Details of the assessments are set out in Practice 6.1 of the CG Report, available for viewing in the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</li> </ul>

### (3) Remuneration

MCCG Practices	Applications by VSTECS								
<p><b>Practice 7.1</b></p> <p>The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required</p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ The policies and procedures for determining the remuneration packages of the Directors and CEO of the Group are formalised in the form of a Directors' Remuneration Policy, adopted by the Board.</li> </ul> <p><b><u>Publication on the corporate website</u></b></p> <ul style="list-style-type: none"> <li>✓ A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</li> </ul>								
<p><b>Practice 7.2</b></p> <p>The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management</p> <p><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ The Board has established a Remuneration Committee ("RC") to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Leadership team.</li> <li>✓ For FYE2022, the RC comprises solely of Non-Executive Directors/Chairman and two (2) of them are Independent Directors during FYE2022.</li> <li>✓ The RC of the Company was formed to recommend to the Board the remuneration package of ED and Non-Executive Directors of the Company and its subsidiaries to attract, retain and motivate Directors. The membership of the RC is set out as follow:-</li> </ul> <table border="1"> <thead> <tr> <th>Remuneration Committee</th> <th>Number of Remuneration Committee Meetings attended/held in the financial year under review</th> </tr> </thead> <tbody> <tr> <td>Dato' Khoo Sin Aik (<i>Chairman</i>)</td> <td>2/2</td> </tr> <tr> <td>Abdul Aziz Bin Zainal Abidin (<i>Member</i>)</td> <td>2/2</td> </tr> <tr> <td>Mr. Ong Wei Hiam (<i>Member</i>)</td> <td>1/2</td> </tr> </tbody> </table>	Remuneration Committee	Number of Remuneration Committee Meetings attended/held in the financial year under review	Dato' Khoo Sin Aik ( <i>Chairman</i> )	2/2	Abdul Aziz Bin Zainal Abidin ( <i>Member</i> )	2/2	Mr. Ong Wei Hiam ( <i>Member</i> )	1/2
Remuneration Committee	Number of Remuneration Committee Meetings attended/held in the financial year under review								
Dato' Khoo Sin Aik ( <i>Chairman</i> )	2/2								
Abdul Aziz Bin Zainal Abidin ( <i>Member</i> )	2/2								
Mr. Ong Wei Hiam ( <i>Member</i> )	1/2								

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

MCCG Practices	Applications by VSTECS
	<ul style="list-style-type: none"> <li>✓ The remit of the RC is governed by the TOR of the RC. A copy of the TOR of the RC is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</li> <li>✓ The RC met twice during FYE2022, reviewed and recommended to the Board for approval the following matters:-               <ul style="list-style-type: none"> <li>(a) the Group's total bonus for year 2021 and total salary increment for year 2022;</li> <li>(b) the bonus payments to the CEO for year 2021;</li> <li>(c) the bonus payment to the Senior Leadership team for year 2022;</li> <li>(d) the increments to the Senior Leadership and Management teams for year 2022;</li> <li>(e) the Directors' and Board Committees' fees for FYE2022;</li> <li>(f) the benefits payable to the Directors under Section 230(1)(b) of the CA 2016;</li> <li>(g) the remuneration package of the Non-Independent Non-Executive Chairman as an Advisor of the Company for FYE2023; and</li> <li>(h) the remuneration package of the ED/CEO for FYE2023.</li> </ul> </li> </ul>

#### 3.1 Details of the Directors' Remuneration for FYE2022

The RC recommends to the Board the policy and framework of the Directors' remuneration and the remuneration package of the ED. It is the ultimate responsibility of the Board to approve the remuneration packages of Directors.

In compliance with Practice 8.1 of the MCCG 2021, there is detailed disclosure on named basis for the remuneration of individual directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

#### 3.1 Details of the Directors' Remuneration for FYE2022 *cont'd*

For FYE2022, the aggregate of remuneration received and receivable by the Non-Executive Directors/Chairman of the Company and the Group categorised into appropriate components are as follows:-

#### *Received from the Company*

Name of Director	Fee RM'000	Meeting Allowance RM'000	Salary RM'000	Benefits- in-kind RM'000	Other Emoluments RM'000	Total RM'000
Soong Jan Hsung	49	-	-	-	-	49
<b>Sub-total</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49</b>
Lee Marn Fong @ Wu Marn Fong	68	3	-	-	-	71
Wong Heng Chong	67	7	-	-	-	74
Dato' Khoo Sin Aik	64	5	-	-	-	69
Abdul Aziz Bin Zainal Abidin	70	7	-	-	-	77
Ong Wei Hiam	66	7	-	-	-	73
Anne Rodrigues Nee Koh Lan Heong <i>(Appointed on 30 December 2022)</i>	-	-	-	-	-	-
Cheryl Khor Hui Peng <i>(Resigned on 12 July 2022)</i>	37	3	-	-	-	40
<b>Sub-total</b>	<b>372</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>404</b>
<b>Total</b>	<b>421</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (3) Remuneration *cont'd*

#### 3.1 Details of the Directors' Remuneration for FYE2022 *cont'd*

##### *Received on Group Basis*

Name of Director	Fee RM'000	Meeting Allowance RM'000	Salary RM'000	Benefits- in-kind RM'000	Other Emoluments RM'000	Total RM'000
Soong Jan Hsung	53	-	3,004	24	-	3,081
<b>Sub-total</b>	<b>53</b>	<b>-</b>	<b>3,004</b>	<b>24</b>	<b>-</b>	<b>3,081</b>
Lee Marn Fong @ Wu Marn Fong	72	3	-	-	117	192
Wong Heng Chong	67	7	-	-	-	74
Dato' Khoo Sin Aik	64	5	-	-	-	69
Abdul Aziz Bin Zainal Abidin	70	7	-	-	-	77
Ong Wei Hiam	66	7	-	-	-	73
Anne Rodrigues Nee Koh Lan Heong (Appointed on 30 December 2022)	-	-	-	-	-	-
Cheryl Khor Hui Peng (Resigned on 12 July 2022)	37	3	-	-	-	40
<b>Sub-total</b>	<b>376</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>525</b>
<b>Total</b>	<b>429</b>	<b>32</b>	<b>3,004</b>	<b>24</b>	<b>117</b>	<b>3,606</b>

Note: Salaries include bonus and EPF.

#### 3.2 Details of Top Five (5) Senior Leadership team's Remuneration for FYE2022

In accordance with Practice 8.2 of the MCCG 2021, a band of the remuneration for the top five senior management (excluding the ED/CEO of the Company), during FYE2022 are as follows:-

	Senior Leadership team
RM1,600,001 to RM1,650,000	1
RM950,001 to RM1,000,000	1
RM600,001 to RM650,000	1
RM550,001 to RM600,000	2

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### (4) Audit Committee

The membership, a summary of the activities of the AC and Internal Audit Function and activities are stated in the Report of the AC of this Annual Report on Pages 100 to 105.

MCCG Practices	Applications by VSTECs
<p><b>Practice 9.1</b></p> <p><b>The Chairman of the Audit Committee is not the Chairman of the board.</b></p> <p><b>APPLIED</b></p>	<p>✓ As of the date of this Statement, the Chairman of the AC is Encik Abdul Aziz, an INED while Madam Lee is the Non-Independent Non-Executive Chairman of the Board.</p>
<p><b>Practice 9.2</b></p> <p><b>The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.</b></p> <p><b>APPLIED</b></p>	<p>✓ For the Applicable Period, the AC has revised its TOR to adopt Practice 9.2 of the MCCG 2021 where the TOR of the AC requires a former key audit partner to observe a cooling-off period of at least three (3) years only before being appointed as a member of the AC.</p> <p>✓ The Board has in turn approved the above revision.</p> <p>✓ <b>Publication on the corporate website</b></p> <p>A copy revised TOR of AC is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p>
<p><b>Practice 9.3</b></p> <p><b>The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.</b></p> <p><b>APPLIED</b></p>	<p>✓ The AC has formalised the policy and procedures to assess the suitability, objectivity and independence of external auditors ("<b>the EA Policy</b>").</p> <p>✓ Pursuant to the EA Policy, the AC has conducted an annual assessment on the external auditors for FYE2022.</p> <p>✓ In its assessment, the AC considered, inter alia, the following factors:-</p> <p>For assessment on "Suitability" of External Auditors:-</p> <ul style="list-style-type: none"> <li>• The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;</li> <li>• To the knowledge of the AC, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("<b>MIA</b>") which has not been reserved by the Disciplinary Board of MIA;</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (4) Audit Committee *cont'd*

MCCG Practices	Applications by VSTECS
	<ul style="list-style-type: none"> <li>• The External Auditors firm has the geographical coverage required to audit the Group;</li> <li>• The External Auditors firm advises the AC on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;</li> <li>• The External Auditors firm consistently meets the deadlines set by the Group;</li> <li>• The level of quality control procedures in the external audit firm, including the audit review procedures; and</li> <li>• The External Auditors scope is adequate to cover the key financial and operational risks of the Group.</li> </ul> <p>For assessment on "Objectivity" of External Auditors:-</p> <ul style="list-style-type: none"> <li>• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees.</li> </ul> <p>For assessment on "Independence" of the External Auditors:-</p> <ul style="list-style-type: none"> <li>• The engagement partner has not served for a continuous period of more than seven (7) years with the Company;</li> <li>• The AC receives written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</li> <li>• Tenure of the current auditors.</li> </ul> <p>✓ The AC noted, for FYE2022, KPMG PLT, the External Auditors of the Group confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>✓ Upon completion of its assessment, the AC was satisfied with KPMG PLT's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of KPMG PLT as External Auditors for the FYE2023. The Board has in turn recommended the same for shareholders' approval at the forthcoming 27<sup>th</sup> AGM of the Company.</p> <p>✓ During FYE2022, the AC met twice with the External Auditors without the presence of the Executive Board Members and Senior Leadership team to discuss issues of concern to the External Auditors.</p>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (4) Audit Committee *cont'd*

MCCG Practices	Applications by VSTECs
	<p><b><u>Provision of Non-Audit Services</u></b></p> <ul style="list-style-type: none"> <li>✓ The EA Policy has outlined the circumstances and the approval threshold/process for the engagement of the External Auditors or its affiliates to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.</li> <li>✓ Before appointing the External Auditors or its affiliates to undertake any non-audit services, considerations would be given as to whether such appointment would create a threat to the External Auditors' independence or objectivity on the statutory audit of the Company's financial statements, including any safeguards that are available to address such a threat.</li> <li>✓ For FYE2022, the AC has revised its EA Policy to require a former key audit partner to observe a cooling-off period of at least three (3) years only before being appointed as a member of the AC. The Board has in turn approved the above revision.</li> </ul>

### (5) Risk Management and Internal Control Framework

MCCG Practices	Applications by VSTECs
<p style="text-align: center;"><b>Practice 10.1</b></p> <p style="text-align: center;"><b>The board should establish an effective risk management and internal control framework</b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ A Management Committee known as the ERM Committee, which reports directly to the AC, was established by the Board with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.</li> <li>✓ The ERM Committee advises the AC and the Board on a regular basis on areas of high risk and the adequacy of compliance and control procedures throughout the Group.</li> <li>✓ For FYE2022, there were four (4) ERM Meetings conducted to review all the risk inputs given through all quarters of the year for all risks together with the impact recorded for risk-ranking purpose. The ERM Committee had also attended and worked on to the risk elements reference as requested by the Internal Auditors.</li> <li>✓ The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Group's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.</li> <li>✓ The Board has adopted an ERM Framework to manage its risk and opportunities. A Management Committee known as the ERM Committee which reports directly to the AC was established by the Board, with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (5) Risk Management and Internal Control Framework *cont'd*

MCCG Practices	Applications by VSTECS
	<ul style="list-style-type: none"> <li>✓ Details of the ERM Committee are set out in Practice 10.1 of the CG Report, available for viewing in the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</li> <li>✓ For FYE2022, the Board, with the assurance rendered by the CEO and the CFO, opined that the risk management and internal controls of the Group were effective and adequate.</li> </ul>
<p style="text-align: center;"><b>Practice 10.2</b></p> <p style="text-align: center;"><b>The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.</b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ The Statement on Risk Management and Internal Control of the Group in this Annual Report provides an overview of the state and features of risk management and internal controls within the Group.</li> <li>✓ As part of the risk mitigation measures, the Board has established the following policies:-               <ul style="list-style-type: none"> <li>(i) ABC Policy</li> <li>(ii) Code of Conduct</li> <li>(iii) Insider Dealing Policy</li> <li>(iv) Related Party Transaction Policy</li> <li>(v) Succession Planning Policy</li> <li>(vi) Whistle-Blowing Policy</li> </ul> <p>(Collectively, referred to as the "<b>Policies</b>")</p> </li> <li>✓ For FYE2022, the Board has updated its Related Party Transaction Policy by providing a sample declaration form to ease the Directors' declaration of interest in relation to related party transaction.</li> <li>✓ <b>Publication on the corporate website</b></li> </ul> <p>A copy each of the abovementioned Policies is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</p>

### (6) Internal Audit Function

MCCG Practices	Applications by VSTECS
<p style="text-align: center;"><b>Practice 11.1</b></p> <p style="text-align: center;"><b>The Audit Committee should ensure that the internal audit function is effective and able to function independently</b></p> <p style="text-align: center;"><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ For the internal audit function of the Group, the AC maintained an outsourced Internal Auditors as well as an In-House Internal Audit Department.</li> <li>✓ The Outsourced Internal Auditors and In-House Internal Audit Manager communicate regularly with and report directly to the AC. For FYE2022, the Outsourced Internal Auditors' representative met up three (3) times with the AC.</li> <li>✓ The Internal Audit Review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvement.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (6) Internal Audit Function *cont'd*

MCCG Practices	Applications by VSTECs
	<p><b>Outsourced Internal Auditors</b></p> <ul style="list-style-type: none"> <li>✓ At the AC Meeting held on 10 November 2021, the Outsourced Internal Auditors have presented to the AC the Internal Audit Function's Annual Audit Plan ("the Outsourced Annual Audit Plan") for the year 2022. The AC has resolved that the Outsourced Annual Audit Plan for year 2022 be approved for adoption.</li> <li>✓ For FYE2022 and up to the date of this Statement, the Outsourced Internal Auditors have successfully completed their audit visits and reporting as per the approved Outsourced Annual Audit Plan.</li> </ul> <p><b>In-House Internal Audit Department</b></p> <ul style="list-style-type: none"> <li>✓ The In-House Internal Auditors communicate regularly with and report directly to the AC. For FYE2022, the In-House Internal Auditors met up four (4) times with the AC.</li> <li>✓ At the AC Meeting held on 10 November 2021, the In-House Internal Audit Manager has presented to the AC the In-House Internal Audit Function's Audit Plan for year 2022 and the AC has subsequently approved the In-House Audit Plan for year 2022.</li> </ul> <p>For FYE2022 and up to the date of this Statement, the In-House Internal Audit Department has successfully carried out their audit assignments and reporting as per the approved In-House Audit Plan for year 2022.</p> <p><b>Internal Audit Assessment</b></p> <ul style="list-style-type: none"> <li>✓ The AC had conducted an Internal Audit Assessment annually to review the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority to carry out its work and to perform its function effectively in accordance with relevant professional standards</li> </ul> <p><b>IA Charter</b></p> <ul style="list-style-type: none"> <li>✓ For FYE2022, the AC has updated its IA Charter to cover the assessment on anti-corruption and whistle-blowing processes, as recommended by the MCCG 2021.</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

### (6) Internal Audit Function *cont'd*

MCCG Practices	Applications by VSTECS
<p><b>Practice 11.2</b></p> <p>The board should disclose–</p> <ul style="list-style-type: none"> <li>■ whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;</li> <li>■ the number of resources in the internal audit department;</li> <li>■ name and qualification of the person responsible for internal audit; and</li> <li>■ whether the internal audit function is carried out in accordance with a recognised framework.</li> </ul> <p style="text-align: center;"><b>APPLIED</b></p>	<p><b>Internal Audit Assessment</b></p> <ul style="list-style-type: none"> <li>✓ For FYE2022, the AC had conducted an Internal Audit Assessment to review the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority to carry out its work and to perform its function effectively in accordance with relevant professional standards.</li> <li>✓ The AC has also prepared the AC Report (for disclosure in the Annual Report) for the Board's perusal and approval. The Board noted the AC Report has made the relevant disclosure in compliance with Practice 11.2 of MCCG 2021.</li> </ul>

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### (7) Communication with Stakeholders

MCCG Practices	Applications by VSTECS
<p><b>Practice 12.1</b></p> <p>The board ensures there is effective, transparent and regular communication with its stakeholders.</p> <p style="text-align: center;"><b>APPLIED</b></p>	<ul style="list-style-type: none"> <li>✓ The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:- <ul style="list-style-type: none"> <li><b>(a) Corporate Disclosures/ Investor Relations</b></li> </ul> <p>The Board has on 3 August 2016 adopted the Corporate Disclosure Policy which superseded the Investor Relations Policy, to ensure only designated spokespersons will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at <a href="http://www.vsteecs.com.my">www.vsteecs.com.my</a>.</p> </li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

### (7) Communication with Stakeholders *cont'd*

MCCG Practices	Applications by VSTECs								
	<p><b>(b) Spokespersons</b></p> <table border="1" data-bbox="762 687 1430 907"> <thead> <tr> <th colspan="2" data-bbox="762 687 1430 725"><b>Primary Spokesperson:</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="762 725 908 907">CEO</td> <td data-bbox="908 725 1430 907">The Company's CEO has been appointed to communicate with audience constituents and respond to questions in relation to the corporate vision, strategies, developments, future prospects, financial plans and operational matters.</td> </tr> </tbody> </table> <table border="1" data-bbox="762 927 1430 1146"> <thead> <tr> <th colspan="2" data-bbox="762 927 1430 965"><b>Secondary Spokespersons:</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="762 965 908 1146">CFO/ Company Secretaries</td> <td data-bbox="908 965 1430 1146">The Company's CFO/Company Secretaries may only communicate to audience constituents on information already in the public domain, unless they are authorised by the Primary Spokesperson to undertake broader communications.</td> </tr> </tbody> </table> <p><b>(c) Analysts and Media Briefings</b></p> <p>The Company is committed to on-going communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports.</p> <p>The Company provides regular investor briefings with research analysts and fund managers, to promote clear and transparent communications to the investment community.</p> <p>For FYE2022, the Company has held six (6) analysts briefing sessions and issued five (5) press releases. The research reports and press releases are available for viewing under the "News" section of the Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a>.</p> <p><b>(d) Corporate Website</b></p> <p>The Company's corporate website at <a href="http://www.vstecs.com.my">www.vstecs.com.my</a> serves as a plethora of information to the public, which includes, inter alia, corporate information, business activities, corporate governance matters, latest press releases, annual reports, financial results, news listing, B2B online and etc.</p> <p>The Company has created two (2) dedicated sections, <b>Investor Relations</b> and <b>Corporate Governance</b> sections to ensure more effective dissemination of information.</p> <p><b><u>Publication of Notice of AGM on Corporate Website</u></b></p> <p>Pursuant to Section 320(2) of the CA 2016, a copy of the Notice convening the 27<sup>th</sup> AGM together with the proxy form are available at the corporate website of VSTECs Berhad at <a href="https://vstecs.listedcompany.com/ar_2022.html">https://vstecs.listedcompany.com/ar_2022.html</a>.</p>	<b>Primary Spokesperson:</b>		CEO	The Company's CEO has been appointed to communicate with audience constituents and respond to questions in relation to the corporate vision, strategies, developments, future prospects, financial plans and operational matters.	<b>Secondary Spokespersons:</b>		CFO/ Company Secretaries	The Company's CFO/Company Secretaries may only communicate to audience constituents on information already in the public domain, unless they are authorised by the Primary Spokesperson to undertake broader communications.
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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

### (8) Conduct of General Meetings

MCCG Practices	Applications by VSTECs
<p><b>Practice 13.1</b></p> <p>Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting</p>	<p>✓ The Annual Report, which contains the Notice of AGM, was sent to shareholders at least twenty-one (21) days, in line with the Constitution of the Company, prior to the date of the meeting to give sufficient time to shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys as well as to let the shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, is to be published in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to Bursa Securities.</p>
<p><b>Practice 13.2</b></p> <p>All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.</p>	<p>✓ In compliance with Practice 13.1 of the MCCG 2021, the Board had on 18 April 2022, issued its Notice of Twenty-Sixth ("26<sup>th</sup>") AGM of the Company, at least twenty-eight (28) days prior to the date of the meeting i.e., 17 May 2022. The notes to the Notice of 26<sup>th</sup> AGM provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
<p><b>Practice 13.3</b></p> <p>Listed companies should leverage technology to facilitate–</p> <ul style="list-style-type: none"> <li>• voting including voting in absentia; and</li> <li>• remote shareholders' participation at general meetings</li> </ul>	<p><b>26<sup>th</sup> AGM held on 17 May 2022</b></p> <p>✓ All Board members were present at the broadcast venue or attended remotely the following general meetings of the Company and provided responses to the shareholders on the key matters arose during the Meeting via live streaming webcast, in view of the Covid-19 pandemic and in compliance with the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the SC:-</p> <p>✓ The Chairman of AC, NC and RC were also present on screen of the 26<sup>th</sup> AGM to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</p>
<p><b>APPLIED</b></p>	<p><b>Poll Voting</b></p> <p>✓ The Company had conducted the poll voting via remote participation and voting facilities provided by SS E Solutions Sdn. Bhd. via its Securities Services e-Portal at <a href="https://www.sshsb.net.my/">https://www.sshsb.net.my/</a> (Domain Registration No. with MyNIC Berhad: D4A004360) for all resolutions set out in the Notices of 26<sup>th</sup> AGM held on 17 May 2022. The Company has appointed an independent scrutineer to validate the votes cast at the Meetings. The poll results of the Meetings were announced by the Company to Bursa Securities on the same day.</p>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

### (8) Conduct of General Meetings

MCCG Practices	Applications by VSTECs
	<p><b><u>Virtual 26<sup>th</sup> AGM</u></b></p> <ul style="list-style-type: none"> <li>✓ The 26<sup>th</sup> AGM held on 17 May 2022 was a fully virtual meeting.</li> <li>✓ The shareholders were allowed to submit their questions electronically through the online platform provided by SS E Solutions Sdn. Bhd. via SSeP at <a href="https://sshbs.net.my/">https://sshbs.net.my/</a> prior to the Meetings, or used the query box to transmit questions to the Board via RPV facilities during live streaming of the Meetings.</li> <li>✓ The Chairman of the Meetings had also informed the shareholders during the live streaming of the Meetings that they could submit their questions and comments to the Board during the Meetings via the RPV facilities; and the answers to all the questions were addressed accordingly before the commencement of the poll voting.</li> <li>✓ Shareholders were given sufficient opportunity to pose their questions before and during the Meetings. The Company had ensured that all the questions were answered.</li> </ul> <p><b><u>Minutes of 26<sup>th</sup> AGM</u></b></p> <p>The minutes of the 26<sup>th</sup> AGM held on 17 May 2022 were published on corporate website no later than thirty (30) business days after the AGM.</p>

### Key CG future priority for FYE2023

Bursa Securities has on 26 September 2022 issued amendments to the Main LR of Bursa Securities in relation to enhanced sustainability reporting framework as well as the updated sustainability reporting guide and toolkits ("Enhanced Sustainability Disclosures").

Taking cue from Bursa Securities' directives and emphasis, ESG adoption and sustainability disclosure shall remain the key CG priority of the Board for FYE2023. With the formation of the dedicated ESG Committee headed by the CFO, the Board is optimistic that it has taken the first step in complying with the Enhanced Sustainability Disclosures.

### CONCLUSION

The Board is satisfied that, it complies substantially with the principles and recommendations of the MCCG 2021. The CG Report which sets out the application of each Practice of MCCG 2021 is available for viewing in the Company's corporate website at [www.vstecs.com.my](http://www.vstecs.com.my).

This CG Statement and the CG Report have been approved by the Directors in accordance with a Resolution of the Board of Directors passed on 31 March 2023.

## SUSTAINABILITY STATEMENT

VSTECS Berhad is pleased to present our Sustainability Statement for FYE 2022. Our Sustainability Statement reflects our commitment towards addressing climate change issues, human rights, governance, and other related aspects, which will ensure the long-term sustainability of our business operations. We are cognizant of our role in the Malaysian ICT Industry as we strive to contribute to the industry's growth in the most sustainable manner.

Sustainability and its disclosure is a continuous journey as we assess and evaluate our impacts on the community, workplace, environment, and industry. These efforts are a significant evolution for our operations as they lay the foundation for a more holistic community investment strategy and sustainability roadmap. As a leading ICT distributor in Malaysia, we cater to the digital needs of consumers and enterprises. As a response, we are working on enhancing our sustainable development strategy further to develop more holistic sustainability initiatives for our future and the future of all our stakeholders.

### SCOPE AND BOUNDARIES OF REPORTING

Our Sustainability Statement encompasses the business of VSTECS and its subsidiaries, collectively referred to as “**VSTECS**” or “**the Group**”. Accordingly, this Report excludes our associate companies and joint ventures of the Group. The Sustainability Statement provides disclosure on Environmental, Social, and Governance (“**ESG**”) aspects that the Group deems essential to our operation. As a distributor of ICT hardware and provider of ICT services, we do not engage in any manufacturing activities nor produce any harmful by-products, hazardous waste or effluent discharges.

### REPORTING PERIOD

This Sustainability Statement covers the period from 1 January 2022 to 31 December 2022 (“**FYE 2022**”) unless otherwise stated.

### SUSTAINABILITY WITHIN THE CONTEXT OF VSTECS

As a leading distributor of ICT products and Enterprise Systems in the nation, the strength of our business network and channels plays a continuously vital role in supporting the national economy through digital enablement for workforce agility. The products we sell, distribute and implement form the building blocks of mission-critical infrastructure in enabling uninterrupted public, enterprise and social activities throughout the varying degrees of lockdowns and safety restriction conditions. The digital transformation and acceleration of virtual presence communications have positive impacts in reducing physical commuting and transportation and subsequently its impact on the environment.

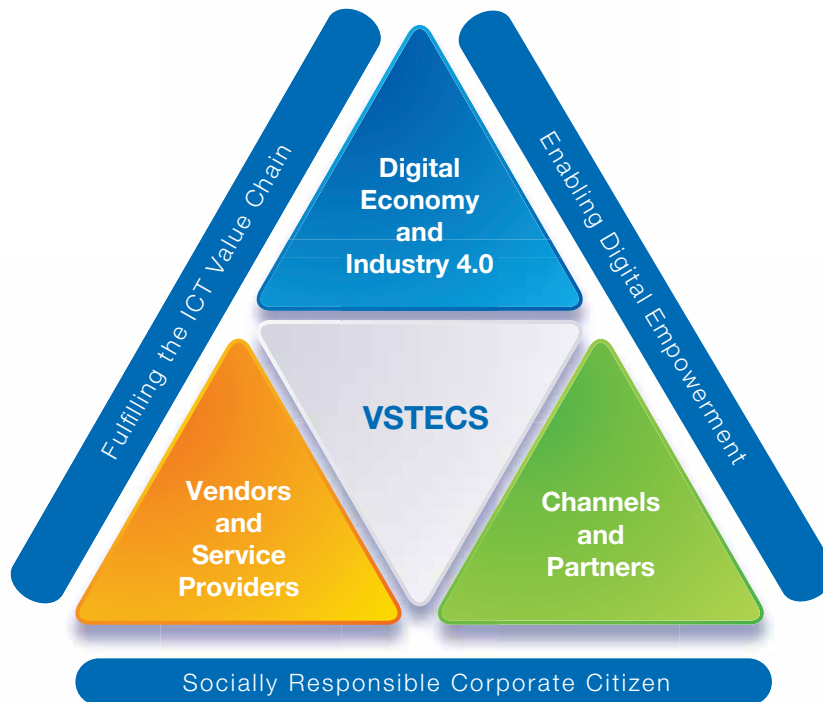


## SUSTAINABILITY STATEMENT

cont'd

While fulfilling our role as one of the technology enablers in the country, the Group is also committed to maintaining the highest environmental, social and governance standards to ensure the sustainable development of our business. **The Group has complied with all relevant laws and regulations applicable to its business, including health and safety, workplace conditions, employment, and the environment.**

### Malaysian ICT Industry and Community



Our major stakeholders that form part of our business and social eco-systems are the following:

- Workforce & Human Capital;
- Vendors whose Brand and Products we represent;
- Channel and Service partners;
- Operational Suppliers and Service Providers;
- Shareholders of VSTECS Berhad;
- Government and regulatory authorities; and
- Communities where we operate.

# SUSTAINABILITY STATEMENT

cont'd

## STAKEHOLDERS ENGAGEMENT

At VSTECS, we know the importance of effective stakeholder engagement to ensure the success of our ESG agenda implementation and the Group's business operations. Stakeholders are individuals, groups or entities that potentially may have an impact on our operations and/or are impacted by our business activities. As such, it is imperative for us to have regular communication with our stakeholders to understand their expectations, needs and concerns, which will enable the Group to develop measures and strategies to address such concerns continuously.

Stakeholders	Areas of Concerns	Engagement Channels
Workforce & Human Capital	<ul style="list-style-type: none"> <li>• Career development</li> <li>• Job security</li> <li>• Remuneration and benefits</li> <li>• Training opportunities</li> <li>• Workplace health and safety</li> <li>• Labour and human rights</li> <li>• Work-life balance</li> <li>• Recognition and incentives for employees' children's achievements</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance evaluation</li> <li>• Training Programmes</li> <li>• Company intranet, email, memos</li> <li>• Employee engagement surveys</li> </ul>
Brand Vendors/Principals	<ul style="list-style-type: none"> <li>• Sales target performance</li> <li>• Ethical business practices</li> <li>• Distribution network</li> </ul>	<ul style="list-style-type: none"> <li>• Scheduled review meetings</li> <li>• Supplier audit and evaluation</li> </ul>
Customers/Channel Partners	<ul style="list-style-type: none"> <li>• Product and services quality and safety</li> <li>• Customer relationships</li> <li>• Privacy protection</li> <li>• After sales service</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Annual customer satisfaction survey</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Business outlook &amp; growth strategies</li> <li>• Financial performance</li> <li>• ESG practices and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Extraordinary General Meeting</li> <li>• Annual report</li> <li>• Corporate website</li> <li>• Bursa announcements</li> <li>• Investor briefings</li> </ul>
Government/Regulatory Authorities	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• HSE practices</li> <li>• Certifications and awards</li> <li>• Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Audits &amp; inspections</li> <li>• Dialogues</li> <li>• Meetings</li> <li>• Compliance committee</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Job and business opportunities</li> <li>• Community support &amp; development</li> <li>• ESG practices &amp; commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment</li> <li>• CSR activities</li> <li>• Social outreach programmes</li> </ul>

# SUSTAINABILITY STATEMENT

cont'd

## SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (“SDGs”)

United Nations Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015. The SDGs serve as vital guidelines for the Group to identify and achieve a better sustainable future including the areas of environmental, social, and economic aspects. SDGs help to ignite long-lasting positive change that may increase shareholder value in the long run. By continuously reviewing the Group’s goals and initiatives, VSTECs strives to support and contribute to achieving the following SDGs through our ongoing sustainability initiatives.

Agenda	SDG Goals	Targets & Achievements
<p><b>Economic</b></p> 	   	<p><b>Creation of Jobs and Supporting the Local Economy</b></p> <ul style="list-style-type: none"> <li>Total of 393 local workers employed</li> <li>Over 100 local suppliers and service providers</li> </ul> <p><b>Delivers shareholders returns</b></p> <ul style="list-style-type: none"> <li>Revenue and PAT 5-year CAGR of 9% and 18%</li> <li>Average Dividend Payout 36% last 5 years</li> <li>FY22 Return on Equity of 15%</li> </ul> <p><b>Customers and Vendors Satisfaction</b></p> <ul style="list-style-type: none"> <li>Annual audit and evaluation</li> </ul>
<p><b>Environment</b></p> 	    	<p><b>Responsible Consumption</b></p> <ul style="list-style-type: none"> <li>Initiatives to reduce water and paper consumption</li> </ul> <p><b>Green Energy</b></p> <ul style="list-style-type: none"> <li>Installation of Solar Power system to supplement approximately ~30% of total electricity consumption on an annualised basis</li> </ul> <p><b>Waste Management</b></p> <ul style="list-style-type: none"> <li>Implemented “3Rs” principles</li> </ul>
<p><b>Social</b></p> 	   	<p><b>Safe &amp; Healthy Working Environment</b></p> <ul style="list-style-type: none"> <li>Zero accident and workplace hazard</li> </ul> <p><b>Gender Equality</b></p> <ul style="list-style-type: none"> <li>Achieved 50% female composition among total employees</li> </ul> <p><b>Employee Development</b></p> <ul style="list-style-type: none"> <li>Technical trainings &amp; personal skills development</li> <li>Recognition of employees’ children’s achievements</li> </ul> <p><b>Local Communities</b></p> <ul style="list-style-type: none"> <li>Local employments</li> <li>Social programmes and community events</li> </ul>

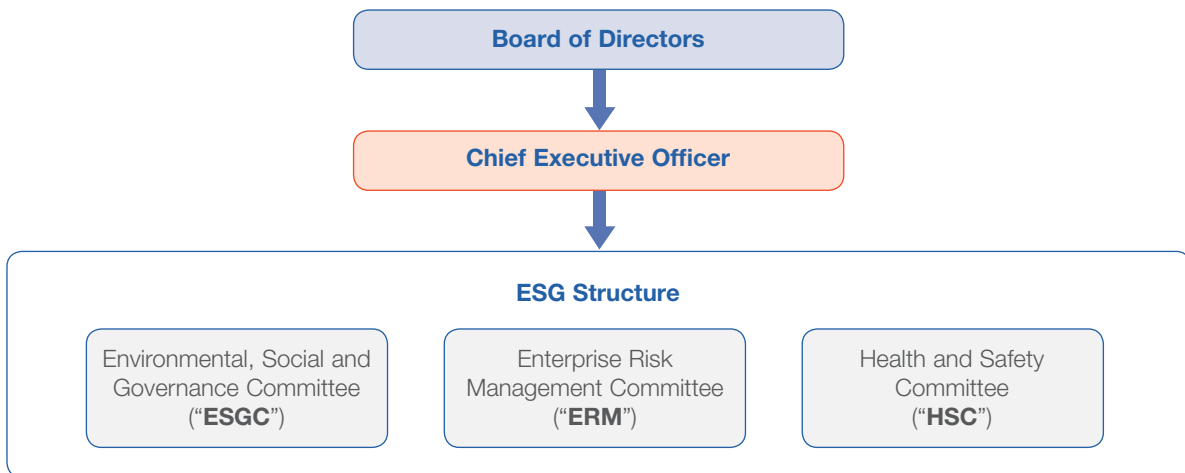
# SUSTAINABILITY STATEMENT

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## SUSTAINABILITY GOVERNANCE STRUCTURE

The Group is well aware that a strong sustainability governance structure is essential in VSTECS's journey towards becoming a socially and environmentally responsible company. Besides that, a solid governance structure will ensure that VSTECS will be able to implement and monitor our sustainability strategies successfully. As such, we integrate the concept of sustainability from top leadership down to all the employees of the Group.

The diagram below illustrates the Sustainability Governance Structure that we have institutionalised:



Governing Body	Head	Roles and Responsibilities
Board of Directors	Chairman	<ul style="list-style-type: none"> <li>Advisory body overseeing the Group's overall Sustainability Governance; and</li> <li>Scrutinising, approving and monitoring the overall sustainability initiatives.</li> </ul>
ESG Structure	Chief Executive Officer	<ul style="list-style-type: none"> <li>Spearheads the overall Group sustainability initiatives, supported by:               <ul style="list-style-type: none"> <li>Enterprise Risk Management Committee;</li> <li>Environmental, Social and Governance Committee; and</li> <li>Health and Safety Committee.</li> </ul> </li> </ul>
ERM Committee	Chief Executive Officer	<p>Meets on a quarterly basis:</p> <ul style="list-style-type: none"> <li>To identify both external and internal risks which may affect the business in material manner;</li> <li>To evaluate, prioritise, and assess such impacts; and</li> <li>To formulate the necessary planning, monitoring, control and mitigation to be put in place.</li> </ul>
ESGC	Chief Financial Officer	<p>Reports to the CEO:</p> <ul style="list-style-type: none"> <li>To identify, evaluate and manage environmental impacts arising from business operations;</li> <li>To identify, address and improve on workforce environment and social well-being; and</li> <li>To oversee the compliance and governance of operational and marketing activities.</li> </ul>
HSC	Senior Manager & Safety Officer	<p>Reports to the CFO:</p> <ul style="list-style-type: none"> <li>To monitor and enforce Occupational Safety and Health Act ("OSHA") regulations and workplace safety; and</li> <li>To continuously improve awareness on workplace safe-practices and staff health.</li> </ul>

# SUSTAINABILITY STATEMENT

cont'd



## ENVIRONMENT

We believe in growing our business while protecting the environment. We aim to continuously minimise the impact of our business operations on the environment while adopting new strategies to lessen our carbon footprint.

### Climate Change

The Group acknowledges the threat that climate change poses to the environment and the importance of reducing carbon footprint to decelerate the impact of climate change on the environment and social well-being. Our business model is mainly in distribution of ICT products, Enterprise Systems, and provision of ICT Services, which produces minimal emissions. Regardless, we aim to reduce emissions further and make positive impacts on improving global environmental sustainability.

- Life Cycle Analysis (“LCA”)**  
 LCA is a method used to assess the environmental impact of a product from manufacturing to disposal. However, since we are not involved in manufacturing processes, it is not currently applicable for us to undertake the assessment.
- Environmental Fines**  
 During the reporting period, no fines were imposed on the Group due to non-compliance with relevant legislative and regulatory requirements.

### Air and Greenhouse Gases (“GHG”)

As our business model is mainly in the trading of ICT products, Enterprise Systems, and provision of ICT Services, our operation does not involve GHG emissions in significant quantities. One of the main emissions would be staff commute and consumption of electricity from the main grid for our warehousing and office facilities.

**Table 1: GHG emissions from the staff commute**

	2020	2021	2022
Car mileage claimed by eligible employees (km)	210,290	150,762	246,599
Estimated CO <sub>2</sub> generated* due to on-the-job travel (kg)	27,338	19,599	32,058

\* Based on an estimation of a typical private passenger car's CO<sub>2</sub> emissions rating of 130g/km (WLTP testing protocol) (Page 12 of <https://www.globalfueleconomy.org/media/791561/gfei-global-status-report-2020.pdf>)

The higher CO<sub>2</sub> generation due to on-the-job travel was as a result of the resumption of work from the office, as well as higher business activities during the year.

**Table 2: Estimated existing Carbon footprint due to electrical energy consumption from the main grid**

	2020	2021	2022
CO <sub>2</sub> -eq emissions** due to main grid electricity consumption (kg)	454,744	414,949	377,984

\*\* TNB's Electricity Supply CO<sub>2</sub>-eq emission is 570g-CO<sub>2</sub>e/kWh; CO<sub>2</sub>-eq: Carbon dioxide equivalent (<https://www.worldbenchmarkingalliance.org/publication/electric-utilities/companies/tenaga-nasional/>)

There is a significant reduction in the Group's CO<sub>2</sub>-eq emissions from electricity consumption for the main office in 2022, due to the commissioning of a 290 kWp (KiloWatt-peak) rooftop Solar Power System (“SPS”) in mid-August 2022. We will derive the benefits for the full year in 2023, and our electricity consumption from the main grid is expected to be reduced by one-third on an annualised basis. Our CO<sub>2</sub>-eq emissions reduction as a result of this renewable energy project more than offsets the increase in the estimated CO<sub>2</sub> generated from staff commute in 2022.

# SUSTAINABILITY STATEMENT

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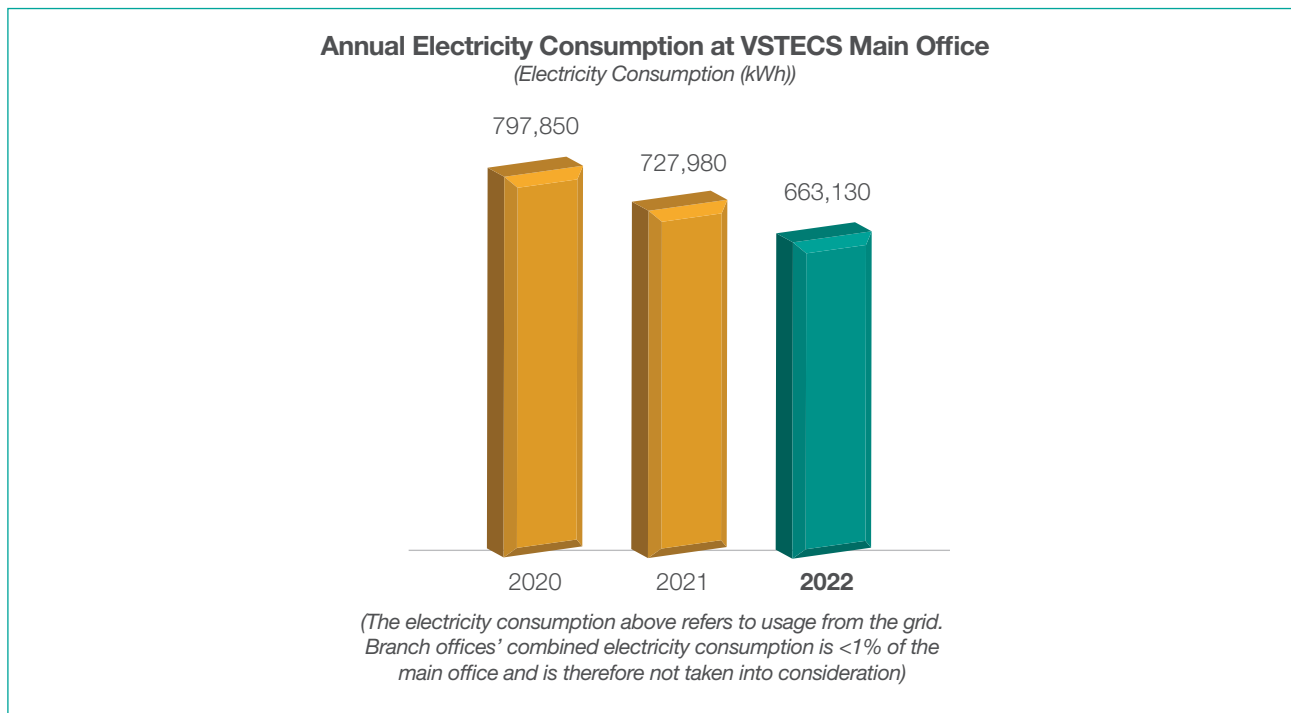
## Responsible Resources Consumption

We strive to progressively reduce our impact on the environment by adopting best practices to streamline consumption and minimise carbon emissions. Our initiatives are designed to inculcate efficiency measures, responsible sourcing, and resource optimisation, all of which play a role in our journey to reduce GHG emissions and achieve the tangible targets we have set. Optimised utilisation of resources forms the cornerstone of the Group's efforts towards a greener operating environment. We take positive steps to minimise our environmental impact by adopting a greener work culture along the principles of the 3Rs - Reduce, Reuse, and Recycle at all levels in the organisation.

## Electricity

Electricity is the key energy source used in our offices and warehouses. Currently, we are operating at Building Energy Intensity ("BEI") of 89 for FYE 2022, well below the Green Building Initiative ("GBI") benchmark of 150kWh/m<sup>2</sup>/year. The table below shows the electricity consumption from the grid at VSTECS headquarters during the reporting period.

**Chart 1: Annual Electricity Consumption at VSTECS Main Office**



## SUSTAINABILITY STATEMENT

cont'd

The Group continues its commitment to reducing energy consumption by undertaking electricity improvement initiatives. We reported a significant reduction in electricity consumption due to various initiatives taken in FYE 2022, the most significant impact coming from our renewable energy project set out below.

### ROOFTOP PV SOLAR SYSTEM

Installation of solar panels at our warehouse is expected to generate

**350,000 kWh**

annually, approximately

**One-third** of our total electricity consumption annually



- Renewable Energy Project**

In August 2022, we completed the installation of a 290 kWp (KiloWatt-peak) rooftop Solar Power System ("SPS"). Our SPS is expected to generate approximately 350,000 kWh (KiloWatt-hour) of electricity per year, further reducing our electrical consumption from the main grid



**129 METRIC TONNES OF CO<sup>2</sup> REDUCTION**



**14,715 MONTHS OF USAGE**  
For a 20W lightbulb



**13K BAYAN TREES**  
1 Bayan tree absorbs - 10kg equivalent of CO<sup>2</sup> per year

### POSITIVE ENVIRONMENTAL IMPACTS SINCE INSTALLATION

**Table 3 : Estimated Reduction of Carbon footprint due to SPS electricity supplementation**

	2023	2024
Estimated total power requirements for the year (kWh)	735,000	745,000
Estimated main grid consumption (kWh)	385,000	402,000
Estimated SPS supply (kWh)	350,000	343,000
Estimated CO <sub>2</sub> -eq emissions saved by reduced consumption of main grid power (kg)	-217,700	-216,948
Estimated CO <sub>2</sub> -eq emissions due to net energy consumption from main grid (kg)	239,470	254,265

Assumptions:

- 1) No major change in VSTECS consumption, and similar climatic conditions for 2024.
- 2) Assumes TNB's CO<sub>2</sub>/kWh to be 622g/kWh in 2023 and increases to 633g/kWh by 2024. (<https://www.worldbenchmarkingalliance.org/publication/electric-utilities/companies/tenaga-nasional/>)
- 3) SPS performance degradation is ~2% from previous year

# SUSTAINABILITY STATEMENT

cont'd

Aside from the rooftop Solar Power System, other initiatives to reduce electricity consumption are:

- **Energy Saving Light Bulb**

Usage of energy-efficient LED lighting instead of fluorescent lighting.

- **Timer Function**

Air conditioner timer installed and set to manage the office air conditioning to maintain cooling and maximum energy savings.

- **Green Procurement**

Procurement of appliances and office equipment prioritises energy-efficient products.

- **Daylight Design Warehouses**

Leveraging natural light in our warehouse through glazed structural windows.

**Table 4: Electricity Consumption per person and per operational area**

	2020	2021	2022
Headcount (Staff + third party personnel)	402 (379+23)	420 (394+26)	<b>423</b> <b>(393+30)</b>
Energy utilised per person (kWh/person/year)	1,985	1,733	<b>1,568</b>
Building Energy Intensity ("BEI") (kWh/m <sup>2</sup> /year) (Total building operational floorspace = 7400 m <sup>2</sup> )	108	98	<b>89</b>

(BEI is calculated based on electricity consumption from the grid)

Currently, we are operating well below the Green Building Initiative ("GBI") benchmark of 150kWh/m<sup>2</sup>/year and intend to reduce the BEI further.

## Green Energy Targets

We aim to achieve a continuous annual target of at least 35% offload reduction of energy consumption from the main grid, and a BEI value not exceeding 95 since 2022 onwards. These may be revised from time to time in line with the nature and requirements of our business activities.

## Paper

Paper consumption at all administration levels has tremendously decreased over the past five years. The improvements came about after the implementation of the following digitalisation programmes:

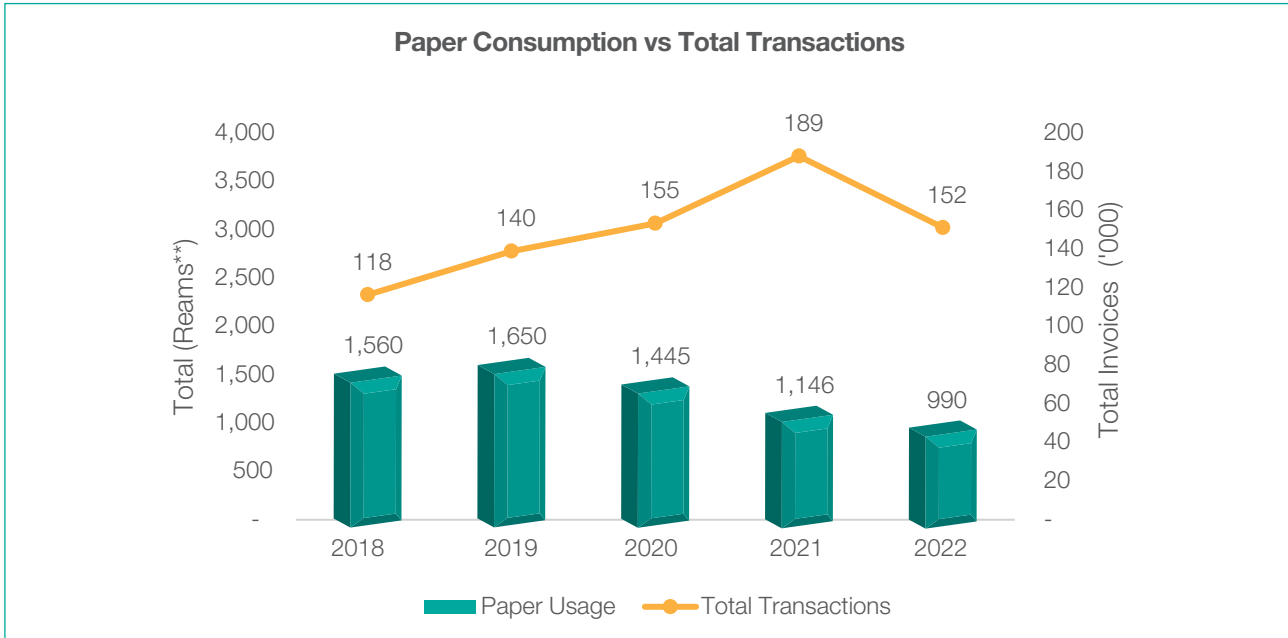
- e-Document Handling Programme for Internal and External Processes
- Increased transactions via B2B System/e-Commerce Platform

Since 2018, paper consumption has reduced by 37% despite transactions increasing by 29% due to our digitalisation programmes. The Group will continue with the adoption of paperless operations as part of ongoing digital transformation efforts.



## SUSTAINABILITY STATEMENT

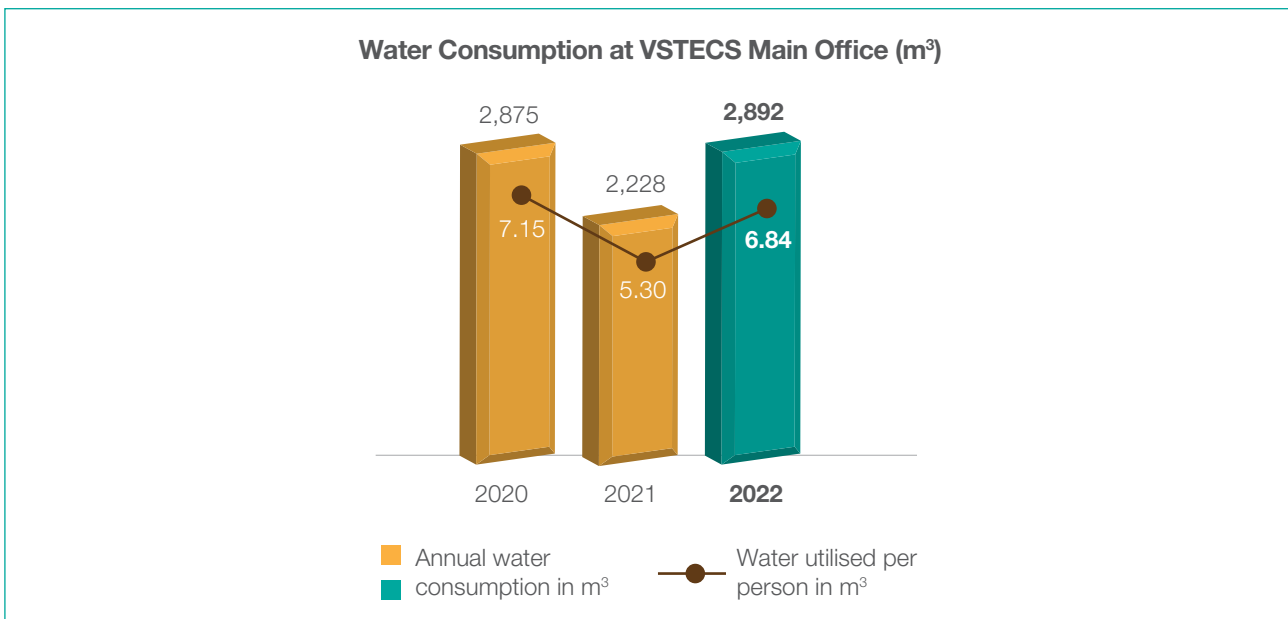
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\*\* 1 ream = 500 sheets of 70gsm A4 size paper

### Water

Water is a shared, finite resource to be valued and conserved. Due to the trading nature of our business, our water consumption is not directly correlated to our business transactional activities.



### Water Source

The Group's water supply source is the state-owned Water Utilities Company (Air Selangor). To our knowledge, the water supply is piped from local water treatment plants which do not operate in water-stressed areas.

# SUSTAINABILITY STATEMENT

cont'd

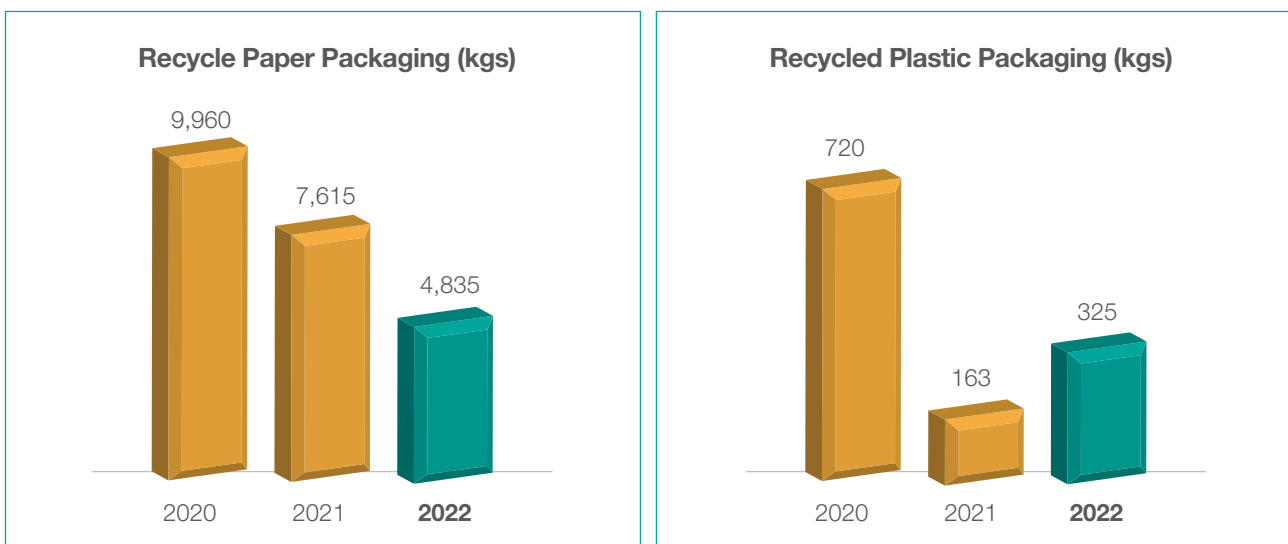
## Water Usage and Discharge

The Group does not have significant water discharge. The wastewater of the Group comes entirely from in-building activities such as staff hygiene and sanitary facilities, canteen food preparation and cleaning activities within the office building. The other notable usage of water is for the basic maintenance of landscaping within the building exterior compound.

## Waste Management

A significant portion of our packaging materials are recycled and our discarded wastes are mostly un-recyclable, used packaging materials such as certain plastic film wrappings and food refuse from the in-house canteen operations. Packaging waste is also generated from incoming shipments from overseas vendors. Our business is in the distribution of ICT products, Enterprise Systems, and provision of ICT Services, which does not generate any industrial by-products or scheduled waste. We only produce municipal waste which is disposed of by way of collection by municipal waste companies on a daily basis.

## Warehouse Packaging Materials Recycled



We uphold the principle of “3Rs”, namely, Reduce, Reuse, and Recycle. In FYE 2022, the Group continues to minimise waste and environmental impact by ensuring that discarded waste is minimised at all times. Packaging materials that are suitably assessed to be usable are repurposed as packing materials, and are therefore not discarded or recycled. The reduction of recycled paper in 2022 is mainly due to such existing packaging materials being re-purposed for outbound shipments, thereby extending such materials’ useful lifespan.

## E-Waste and General Waste Management

Electronic waste (e-waste), being mostly digital device batteries, is collected and processed via specialised waste management service providers. The Group adopts a strict waste sorting disposal method where waste is pre-sorted at the point of first discard. We extend such disposal facilities to our staff and encourage them to bring any electronic waste from their homes (e.g. batteries, broken electronic devices and fluorescent lamps) to the office for proper disposal by our specialist service providers.

# SUSTAINABILITY STATEMENT

cont'd



## OUR HUMAN CAPITAL

The Group regards talent as one of its core competencies. We put employees at the heart of our business, and they are a significant factor in our overall business success. The Group is committed to promoting fair employment practices and investing in the development of our employees.

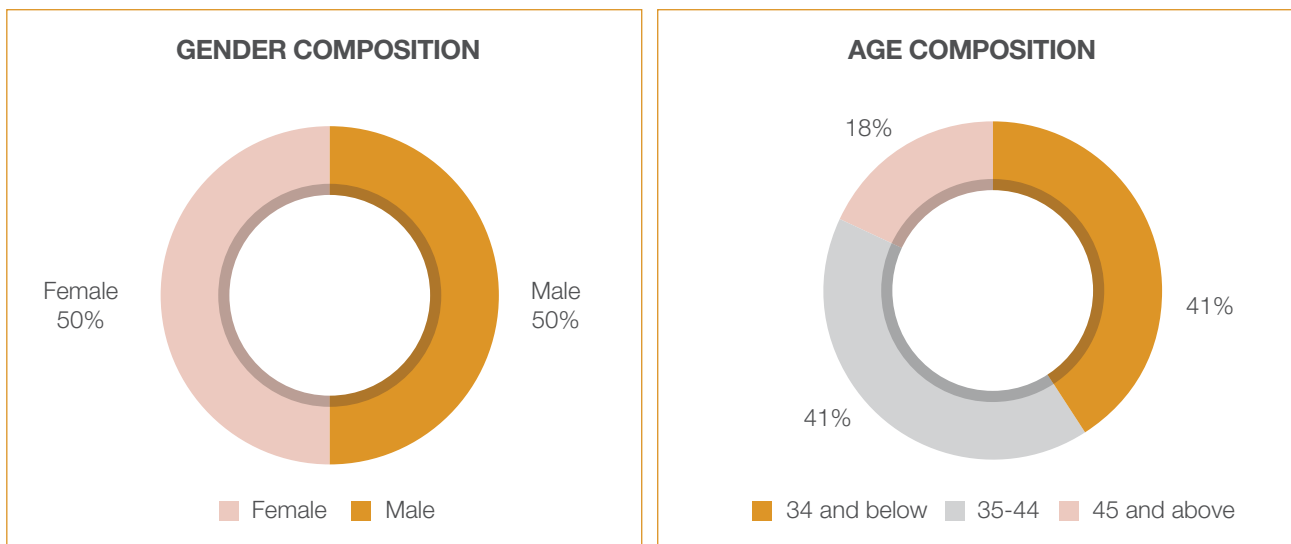
All policies, fair labour practices, and Employee Handbook are published on our employee intranet which is accessible by all employees. The Group strictly complies with all the relevant labour laws and regulations in Malaysia which is the only jurisdiction where we carry out operations.

### Diversity & Inclusion

Providing a workplace that prioritises diversity and inclusion will enable us to continue building an environment that encourages career advancement purely based on equal opportunity and merit, which is imperative for maintaining the longevity and sustainability of our business. While we need to provide a conducive working environment that practices equality and fosters an all-inclusive spirit among our employees, it is equally important for us to cultivate a diverse talent pool that forms the foundation of any successful organisation. With a diversified and inclusive workforce, our organisation will be stronger, and it will be able to promote richer ideas, resulting in more effective and innovative business solutions. We believe we can encourage our employees to thrive, unlock, and develop their full potential in a fair and inclusive working environment. We view each individual equally and through their performance in the workplace, irrespective of race, gender, ethnicity, age, physical ability, nationality, religion, sexual orientation, and cultural background.

### Employee Composition

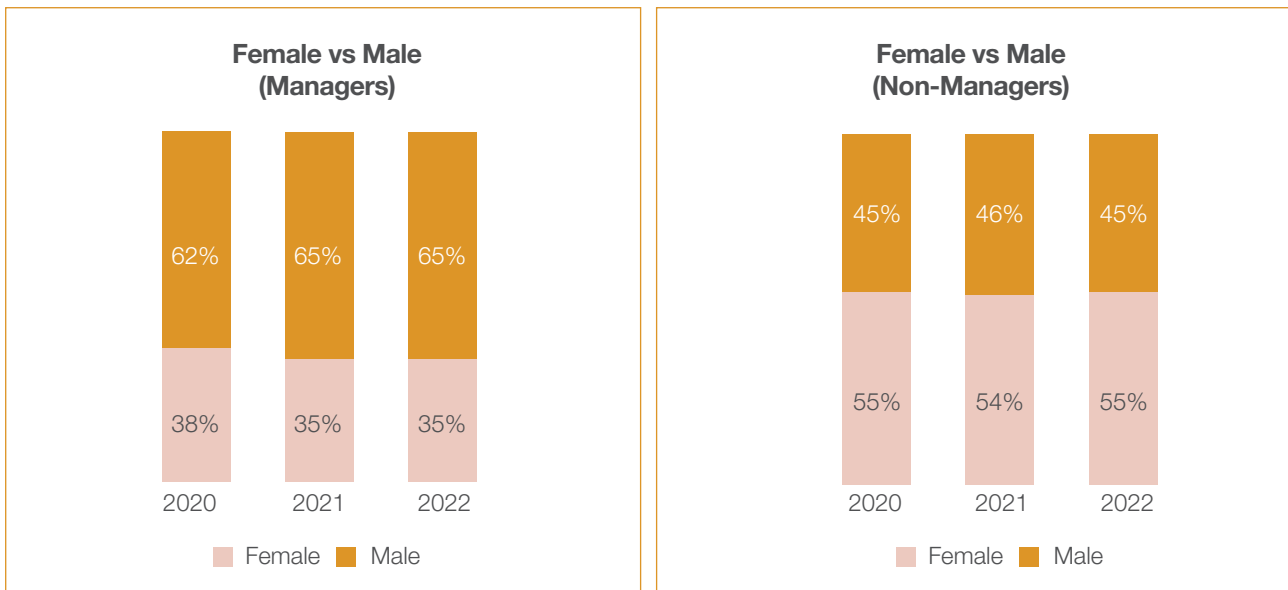
The core of any organisation is its people, and hence, we strongly adhere to the motto that “Technology is a tool, people make the difference”. We are an equal opportunity employer based on meritocracy, relevant experience and performance. As of 31 December 2022, the Group has the following workforce composition with a total of 393 employees.



## SUSTAINABILITY STATEMENT

cont'd

We strengthened our approach to promoting diversity among our workforce. As of 31 December 2022, our female vs. male managers' composition stands at 35% female and 65% male respectively. We strive to improve these ratios further. Hiring and talent development best practices have been implemented to strengthen our diversity and create opportunities for a broad range of employees. The graphs below show the managerial and non-managerial composition in gender:



We believe in playing our part in contributing to the local community and economy. Where possible, we prioritise local recruitment to promote the healthy development of local social well-being and society. As a responsible business, the ability to provide job opportunities is a way we can enable society and its people to develop and optimise their potential. As of 31 December 2022, our workforce was made up of 100% local hires. Our full-time employees turnover rate for 2022 is approximately 19%. We had no temporary staff during the year.

### Employee Training & Talent Development

Our success is dependent on our people. The continued upskilling of staff through training and development is fundamental to the Group's talent management approach. Training serves to develop competencies and skills towards improving job performance, while promoting career progression, especially for those earmarked as being integral to the Group's succession planning programme.

We provide a range of external and internal training to help our employees achieve excellence in their respective fields along with other programmes that enable them to prepare for the future, building the skillsets required by the Group.

Our training programmes begin as soon as employees start their new roles, regardless of their position. We have a comprehensive staff orientation training and continuous on-the-job training using a buddy system for new employees to ease into the role more seamlessly. Subsequently, there will be a periodic review and guidance by the supervisor. This practice ensures all our employees understand their respective tasks and responsibilities and our health and safety standards.

Training covers technical competencies, professional qualifications, soft skills development, leadership skills, and others as deemed necessary. Some examples of the various programmes held in FYE 2022 included training sessions on leadership, forklift operation and safety, language courses, ICT training, first aid at workplace and technical courses on products.

# SUSTAINABILITY STATEMENT

cont'd



**1,216 total hours**  
of training conducted



Average training hours per employee:  
**3.1 hours**

Total investment in training and development (RM) for FY2020, 2021 and 2022

YEAR	2020	2021	2022
Total investment in training (RM)	84,730	95,354	96,696

## Occupational Health and Safety

We believe prioritising our employees' health and wellness is crucial to the long-term well-being and success of the company. By focusing on creating a conducive working environment, we help ensure the safety and well-being of our employees. In addition, a culture revolving around workplace well-being improves employee performance and ensures that we cultivate a motivated and productive workforce.

The HSC is part of our ESG Structure framework, which is ultimately overseen by the Board of Directors. HSC is headed by the Senior Manager and Safety Officer and reports to the CFO, ensures the following key tasks:

- To monitor and enforce Occupational Safety and Health Act ("OSHA") regulations and workplace safety; and
- To continuously improve awareness of workplace safety practices and staff health.

## Health & Safety Training

We conduct health and safety training for all employees and adopt best practices to prevent workplace injuries. As a responsible employer, we are cognizant that our employees' well-being is essential for our operations' long-term sustainability. In FYE 2022, we undertook the following Health & Safety related training:

### Fire Awareness Talk & Live Demo Session

Creating awareness on how to manage a fire emergency, conducted by the Fire Preventor's Society.

### Fire Safety Training @ Bomba Sungai Buloh

Full day training attended by 23 Emergency Response Team members, on emergency response toward fire outbreak in workplace.

### Fire Drill

Practising evacuation procedures to make sure all staff perform evacuation safely.

### Blood Donation Drive

71 employees participated as donors making this event a resounding success, organised with National Blood Centre (Pusat Darah Negara).

## SUSTAINABILITY STATEMENT

cont'd



Blood Donation Drive



Fire Awareness Talk

### HEALTH & SAFETY TRAINING FYE2022



Fire Drill

We have established annual health and safety objectives and targets towards driving improvements in performance and maintaining the current track record of zero (0) workplace fatalities.

# 0

### Workplace fatalities over the past 8 years

*We work hard to keep our employees focused on the shared goal of maintaining a safe work environment by following consistent operating procedures and prioritising Operational Health & Safety ("OHS") in their day-to-day tasks.*

#### Compound, Warehouse & Office Walk Programme

The HSC conducts premise-inspection, namely compound walks and office walks, in observing the workplace twice a year. This exercise is to identify any violations or potential hazard areas on the premises. A report and remedial action plan are tabled to the HSC after the inspection walks for implementation and continuous improvement. There were no reported incidences of work-related injuries in 2022. We monitor our safety performance by tracking the number of incidents and injuries, and are proud to report that for the last two financial years, VSTECS has maintained a record of zero workplace injuries. We sustained our record of zero fatalities since 2015.

# SUSTAINABILITY STATEMENT

cont'd

## Report of Work-related Injuries

Type of Injuries	2022	2021	2020
No. of First Aid injuries	-	-	-
No. of Medical treatment beyond first aid	-	-	-
No. of Job restrictions or transfers	-	-	-
No. of Lost time injuries	-	-	-
No. of Fatalities	-	-	-
No. of Minor injuries	-	-	1
No. of other injuries	-	-	-

### Keeping Employees Safe Throughout the Pandemic

As an essential business, our operations and warehouse remained open through most of the COVID-19 pandemic. We adapted quickly to significant changes in our operating context to provide a safe work environment for our employees, adhering to the operating protocols set by the regulators, while maintaining operational resilience. Throughout this period, our employees demonstrated their commitment by continuously providing the best possible service to our customers. We also took proactive steps to secure the safety of our employees during this ongoing pandemic, including assisting all our employees to be fully vaccinated. As a result, nearly 100% of our workforce received two doses of COVID-19 vaccines. In addition to vaccinations, some of the key workplace initiatives undertaken in response to COVID-19 included the following:

- Regular sanitisation of the workplaces including our headquarters and warehouse;
- Practising Covid self-testing, taking of temperature, wearing face mask, maintaining a distance of at least one meter apart;
- Expedited vaccinations for all employees; and
- Encouraged headquarters employees to work from home and operated at 50% workforce where possible.

We recorded no retrenchment of our staff during the two years of the pandemic.

## Employee Benefits & Welfare

The Group aims to provide a conducive work environment for employees, supporting them in pursuing reasonable standards of lifestyle and work-life balance. VSTECs complies with the Malaysian government's minimum wages. Remuneration is determined based on the employee's overall job performance and contribution for the financial year. Performance bonuses and annual increments are also provided to incentivise employees towards better performance. Compensation packages are determined based on the employee's performance as assessed during his/her appraisal review.

In addition to basic employment benefits required by the laws and regulations, the Group also provides other health and welfare benefits to employees as part of our belief in contributing towards a caring and supportive community. The benefits and privileges provided to our employees are summarised as follows.

Insurance / Medical Coverage & Healthcare	In-house facilities
<ul style="list-style-type: none"> <li>• Hospitalisation and surgical benefits</li> <li>• Clinical and specialist medical benefits</li> <li>• Personal accident insurance coverage</li> <li>• Term life insurance coverage</li> <li>• Medical health screening*</li> <li>• Dependant medical claim</li> </ul>	<ul style="list-style-type: none"> <li>• Indoor parking</li> <li>• Cafeteria</li> <li>• Prayer room</li> <li>• Lactation room</li> <li>• Meal subsidies*</li> </ul>

\* for selected categories of employees

# SUSTAINABILITY STATEMENT

cont'd

## Responsible Supply Chain Practices

As a leading ICT product distributor, supply chain management is essential. Our suppliers, who are mostly brand principals, are one of the key stakeholders in the Group. We value our relationship with suppliers and are actively developing a sustainable supply chain that meets the Group's ethical, environmental, health, and safety standards.

## Our Brand Principals

Most of our principals who are our top suppliers are well-established and well-known international brands. The majority of our suppliers operate in the U.S. and other developed countries which has the highest standard pertaining to safety, environmental management, labour and human rights standards. They are expected to consistently comply with the applicable regulations. In turn, we are required to conduct our business in accordance with the world-class policies set by our suppliers.

In order to increase the efficiency and effectiveness of our supply chain management, different principals are managed by our designated project managers so that they can take full care of each supplier and ensure our product and demand requirements are met. Our team will have regular meetings with these principals to discuss market trends and order volumes.

The Group strives to always carry products and represent brands that are of high repute and good standing within the ICT industry. Before the Group takes on the role of a brand representative or fulfilment agent of a brand, the following key areas are assessed:

- The product should provide or facilitate a positive function to the end-user;
- The product should be of certain known quality or reliability;
- The brand principal shall be of reputable standing within the industry; and
- The product's main function and purpose should not be offensive in nature or dangerous to society in general.

## Our Channel Partners (Customers)

As part of our business social responsibility to always conduct business with reputable entities and in a responsible manner, the Management adopts a strict vetting mechanism in terms of sign-up of new retailers with the following key aspects:

- Creditworthiness evaluation (for retailers);
- Background reputation within the industry; and
- Financial track-record.

Retailers and channel partners agree to be subjected to sales audit by the brand vendors that VSTECs represents.

Since January 2021, our Group strictly enforces a Notice of Anti-Bribery and Corruption (ABC) Compliance Acknowledgement signed by the corporate representative of all our business partners including channel partners, retailers, non-trade vendors, and service providers. The acknowledgement includes a pledged awareness of section 17(A) of the MACC Act 2009 on corporate liability.

## Human Rights & Labour Standards

We respect the fundamental rights of all our employees without discrimination. The protection of our employees' human rights is further enshrined in our Labour Standards & Human Rights Policy. In this regard, any employee can make a report on human rights violations or abuse through the Group's grievance mechanism or the whistle-blowing mechanism. During the financial year under review, there were no incidents of human rights or labour standard violations reported.

We support and respect the protection of internationally recognised Human Rights as established in the Universal Declaration on Human Rights and the United Nations Guiding Principles on Business and Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Our Labour Standards & Human Rights Policy is a testament of our commitment towards conducting our business in the most sustainable manner while respecting the rights and welfare of our workforce.



# SUSTAINABILITY STATEMENT

cont'd

**Child/Forced labour:** The Group does not condone any form of child, indentured or involuntary labour in our operations. We comply and adhere to the relevant employments act(s) and minimum age provisions of applicable laws and regulations in our hiring practices.

**Work hours, wages and benefits:** The Group is committed in ensuring full compliance with all the applicable laws with respect to working hours, overtime, minimum wages and legally mandated benefits. Besides that, we aim to compensate our employees competitively.

**Freedom of Association:** The Group respects the right of employees and stakeholders to freedom of association as provided for in the laws of Malaysia. Employees are free to join, support, or participate in any registered association, cultural society, professional body, or political entity so long as such associations are not illegal, i.e., involvement in outlawed groups nor interfere in a professional capacity.

## **Whistle-Blowing Mechanism**

We take workplace bullying very seriously. We provide all our employees with access to a confidential reporting channel and a whistle-blowing point of contact for harassment and hostility at the workplace. Anonymous reporting and whistle-blower protection assurances are available on the corporate website. In 2022, there were no reports of discrimination incidences.

# 0

**Workplace  
discrimination or  
harassment reported  
in FYE2022**

*VSTECs Berhad takes all complaints seriously and will take appropriate corrective and disciplinary actions against all harassment.*

# 1

**Whistle-blowing case  
reported in FYE2022**

*A whistle-blower may take a report to the Audit Committee Chairman, Non-Executive Chairman & CEO of VSTECs Berhad per the Whistle-Blowing Policy as set out in [www.vstecs.com.my](http://www.vstecs.com.my)*

## **Our Communities**

We actively engage with local communities in various social programmes or community events. We encourage our employees to volunteer their time either during or outside working hours in various CSR activities. In many of these efforts, we have been well-supported by our employees, many of whom have gone above and beyond the call of duty to volunteer their support and respond to the needs of our communities. When organising events, we were always mindful of and fully complied with the COVID-19 preventive measures and protocols.

## SUSTAINABILITY STATEMENT

cont'd

An overview of our community initiatives in FYE2022 is outlined below. Our efforts were estimated to have benefitted 1,700 people.

Initiative	Beneficiary	Contribution Amount (RM)
<b>Healthy Walk @ Taman Tugu - Joining the Get Fit with VSTECS Campaign</b>	Our group employees	5,000
<b>Lotus's SMART Up: A Digital Aid and Literacy Programme</b>  Through our ICT Department who identified unused laptops, we donated 1 EPSON projector and 50 units of refurbished laptops.  Refurbished the computer lab and made the learning environment a better place for the students	The Students of Sekolah Kebangsaan Seksyen 17 Shah Alam	2,000
<b>Community service event @ Kg. Orang Asli Hulu Chemperoh, Janda Baik</b>  Converted an unused room into a space in the village for the children in the community to develop their cognitive skills  Donated educational toys and books for the children within the community	Families in Kg. Orang Asli Hulu Chemperoh	26,400
		33,400



# SUSTAINABILITY STATEMENT

cont'd



## GOVERNANCE & RESPONSIBLE BUSINESS PRACTICES

Our governance philosophy is based on integrity and values that apply to all our employees. Maintaining high standards of ethics and behaviour allow our business to operate responsibly. We recognise the importance of clearly stating our principles and commitments. The Group's corporate ethics and governance standards serve as a defined framework for the Group in this regard. The Board sets the standards for ethical behaviour throughout the company, while the Group's systems, processes, procedures, and policies are designed to foster ethical behaviour as a culture within our organisation.

Our Code of Conduct, Code of Ethics, Anti-Bribery and Corruption Policy, and Whistle-Blowing Policy are reviewed and revised from time to time to be in line with the changes in laws, regulations, and corporate governance practices. The policies are publicly available on our website: [www.vstecs.com.my](http://www.vstecs.com.my).

Further information on our Corporate Governance practices is set out in the Corporate Governance Statement contained in this Annual Report.

### Board Diversity for Effective Governance

The Group maintains an effective Board by having diversity in age, ethnicity, and gender while keeping a firm focus on the merit of each Board member. The aim is to provide the necessary range of perspectives, skills, qualifications, experience, and expertise required to strengthen the Board composition to achieve the objectives and strategic goals of the company. We believe that a diverse board is a step towards better governance.

We have two female directors on the Board in FYE 2022, which accounts for approximately 29% of the Board composition, to enhance the gender diversity of the Board. We are moving towards our target of having at least 30% women representation on the Board.

### Ethics, Compliance and Integrity

The Group is committed to adhering to all applicable laws, regulations, and ethical business principles. We strive to ensure that our employees embody our corporate values and are committed to the highest ethical standards in our business operations.

### Anti-Bribery & Corruption Compliance

To ensure compliance with the Group's policies, procedures, and internal system processes, we have posted relevant information on our corporate website and the office intranet for the benefit of all our employees. To further ensure compliance with the MACC Act 2009 - Section 17A, having taken effect since 1 June 2020, internal operational policies relating to marketing/promotional activities, enhancement of the employee code of conduct with regards to (the giving and receiving of) gifts and entertainment expenses have been realigned to the said Act. The Group's Anti-Bribery and Corruption ("ABC") policy is publicly available at [www.vstecs.com.my](http://www.vstecs.com.my).

In line with the nation's aspirations to eliminate all forms of bribery and corruption, our workforce is held to the strictest standards in compliance with the law. We believe in full transparency in the conduct of our business with the vendors and channel partners. We strive to keep communications with all stakeholders transparently and factually at all times. Open, honest and transparent conduct at all levels form part of our corporate culture, which we firmly believe is always the best approach for long-term sustainability.

Since January 2021, our Group strictly enforces a Notice of ABC Compliance Acknowledgement signed by the corporate representative of all our business partners, including channel partners, retailers, non-trade vendors and service providers.

# SUSTAINABILITY STATEMENT

cont'd

## Internal Operational Compliance

Internal operational compliance supported by internal policies is put in place to keep the Group operating efficiently and effectively. The internal policies and procedures are made available to all employees to ensure sound internal control and compliance. Internal policies consist of Financial policies, General Management policies, Human Resource policies, Information Technology policies and Economic, Environmental and Social policies. Management at all levels is responsible and accountable for ensuring the organisation's proper application of compliance standards. The Group's Compliance Committee supports management by providing advice, methodologies, and tools. It performs reviews to assess the level of awareness, understanding and application of standards and compliance controls through a structured review and tailored enforcement programme. Furthermore, the Group's internal audit function is equipped to perform compliance audits through audit assignments based on their independent risk assessments and independently reports to the Board of Directors on the results of such assignments.

## Information Security

### Confidential Information Risk Management

As a channel-centric organisation in the ICT industry, we are naturally the custodian of a highly diverse and substantial quantum of customer database information with an even greater volume of transactional data. We have strict policies and enforcement procedures in handling such information as required by law and Group policies. Furthermore, product pricing and promotional information are closely guarded due to the sensitive nature of the market's competitive landscape. While the Group's nature of business does not generally involve information relating to private individuals, we have system-controlled (via our ERP system) measures in place to safeguard sensitive commercial information and data in our dealings with external parties. Access to external company and transactional data are categorised and only made available to specific job roles requiring access to such information.

### Data Security and Protection Policy

The recent worldwide Covid-19 pandemic caused the majority of our employees to work from home, resulting in the need for data protection. The Group has implemented the Data Security and Protection Policy to safeguard or protect data or information from corruption, theft, or loss. Similarly, the Group is unaware of any identified leak, theft, or loss of customer data within the same reporting period. Our IT department continues to safeguard the integrity of our IT infrastructure and systems to ensure our cybersecurity defences remain robust and resilient against current and future cyber threats. In FYE 2022, we recorded zero substantiated complaints concerning breaches of customer privacy. We also recorded zero identified leaks, thefts, or loss of customer data.

0

**Complaints of breaches of privacy**

0

**Cases of identified leaks, thefts or loss of data**

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of VSTECS Berhad (“**VSTECS**”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2022, which has been prepared pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

## BOARD’S RESPONSIBILITY

The Board of Directors acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders’ investment and the Group’s assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate systems to manage these risks in accordance with the best practices of the Malaysian Code on Corporate Governance (“**MCCG**”).

The Board further recognises its responsibility for reviewing the adequacy and integrity of the Group’s internal control systems and management information systems.

In view of the limitations that are inherent in any systems of internal control, the Group’s system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

For risk management, the Board, through the Enterprise Risk Management (“**ERM**”) Committee, would determine the company’s level of risk tolerance and identify, assess and monitor key business risks including anti-bribery and corruption risk to safeguard shareholders’ investments and the company’s assets. The ERM committee meets on quarterly basis to review, consider and plan for mitigating actions for both external and internal risk areas.

For internal control, the Board confirms that there is a continuous process in place to identify, evaluate and manage the significant risks that may affect the achievement of business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to stay relevant to the changes in the business environment and market trends, and this on-going process is continuously in place for the whole financial year under review and up to the date of adoption of this Annual Report.

## ENTERPRISE RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business objectives and is critical for the Group to achieve continued profitability and sustainable growth in shareholders’ value. In pursuing these objectives, the Group has adopted an ERM Framework in managing and addressing its sustainability risk and opportunities to support its long-term strategy and success. The ERM Committee which reports directly to the Audit Committee (“**AC**”) was established by the Board with the primary responsibility of ensuring the effective functioning of ERM Framework.

The ERM Committee assists the AC and the Board in the continuous process of identifying, measuring, controlling, monitoring, and reporting significant and material risks affecting the achievement of the Group’s business objectives. It provides the Board and the Senior Leadership Team with information to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment, the Group’s strategies and functional activities throughout the year.

The ERM framework has been continuously reviewed to suit the Group’s strategic and operations since year 2012 with the objective to maintain a sound system of internal controls in safeguarding shareholders’ investments and the company’s assets as well as to enhance shareholders’ value. The ERM Committee has developed a risk assessment template which incorporates the ERM framework, whereby the current year actual incidences and impacts for the respective risk identified were recorded for review, risk profiling and mitigating actions.

The ERM Committee meeting is held quarterly to identify any new risks, assess, evaluate and manage risks of the Group. The quarterly review ensures the mitigation actions are implemented effectively for the identified risks and incidences. Risks mitigation programme would include policy changes, establishment on new procedures and internal control work instructions, improvement in system controls, surveillance report and other measures. For the year under review, the top ten (10) identified risks are market risk, credit risk, vendor risk, political risk, inventory risk, project risk, business model/technology risk, foreign exchange risk, new competition risk, and bribery and corruption risk. The actual financial impact from the risks is also reviewed on a quarterly basis. Enhancements are made in line with the Board’s commitment to improve the Group’s governance, risk management and control framework, and practicing effective control culture and environment for the Group’s business operations. The quarterly ERM reports including any new initiatives and risk management procedures are presented to the Audit Committee.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## JOINT VENTURE AND ASSOCIATE COMPANIES

The disclosures in this statement do not include the risk management and internal control practices of the Group's associate company, ISATEC Sdn. Bhd. ("**ISATEC**"). The risk management and internal control procedures of the Group are however applicable to our joint venture company, Enrich Platinum Sdn. Bhd. ("**EPSB**"). The Group maintains Board representation in both entities to safeguard its interests in EPSB and ISATEC.

## BUSINESS CONTINUITY MANAGEMENT

The Board is aware of the importance of an effective Business Continuity Management ("**BCM**") programme particularly in crisis and disaster management of the organisation and the impact such threats may have on business operations. Additionally, it provides a framework for building organisational resilience that safeguard the interests of its stakeholders, reputation and value creating activities.

The Group has launched its BCM plan to all business units. The Group has also communicated its group-wide awareness on BCM to form the organisation's core values and effective management in order to enhance the realisation of the business unit's responsibility and accountability in ensuring the preparedness of the organisation's resiliency to crisis.

The Group performs notification-tree exercises twice a year to ensure reachability via all lines of communication to the Group's employees. For 2022, notification-tree tests were performed on 1 April 2022 and 14 October 2022 with regards to BCM and the results were concluded satisfactory in which 100% staff reachability was achieved within a 4 hour window.

Further to that, the Group also performed an annual Enterprise Resource Planning ("**ERP**") system failover test on 23 July 2022 to our remote site facility and the results were deemed successful. The Group has a disaster recovery location for ERP and other core systems at a data centre facility in Cyberjaya, Selangor as a back-up ERP facility for business transaction continuity.

## INTERNAL AUDIT FUNCTION

The Board through the AC endorsed and approved the scope of work for the internal audit ("**IA**") function through review of its one-year audit plan.

IA functions are executed by an outsourced independent professional firm and VSTECS's in-house IA team respectively to assess and review the sufficiency and adequacy of key internal controls on auditable areas, to highlight any weaknesses in internal control of existing standard practices and to provide recommendations to improve the internal controls within the Group. Scope of IA include review of internal control procedures, assessment of the Group's governance and risk management.

The Internal Auditors report directly to the AC on improvement measures pertaining to internal control, including subsequent follow-up and monitoring the progress of remedial action plans to determine the extent of their recommendations that have been implemented by the Management. IA reports are submitted to the AC, who reviews the findings with Management at its quarterly meetings. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the AC.

In addition, the deficiencies noted by the External Auditors' and management's responsiveness to the control recommendations on deficiencies noted during financial audits provide added assurance that control procedures on functions with financial impact are in place, and are being adhered to. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the AC reports to the Board its activities, significant results, findings and the necessary recommendations for improvement.

## ANTI-BRIBERY AND CORRUPTION

The Group's Anti-Bribery and Corruption ("**ABC**") policy was established in compliance with the Malaysian Anti-Corruption Commission Act 2009 and its 2018 amendment which imposes new corporate liability provision (Section 17A) on commercial organisations for failure to prevent corruption. Section 17A was enforced in June 2020.

The composite of the members ABC Compliance Committee ("**Compliance Committee**") was selected based on competency, seniority and for independence of functions. Compliance Committee is responsible for the overall implementation of ABC policy and procedures and providing a reasonable level of assurance that all operations in the Group are in compliance with ABC policy, programme and the supporting operational policies.

Compliance Committee reports to ERM Committee which in turn reports to the AC of VSTECS.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## KEY INTERNAL CONTROL PROCESSES

The key elements of the Group's internal control systems are described below:

- i) The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong control environment;
- ii) The Board has established the Board Committees with clearly defined delegation of responsibilities within the defined terms of reference. These committees include the AC, Remuneration Committee and Nominating Committee which have been set up to assist the Board to perform its oversight functions. The committees have the authority to examine all matters within their scope and report to the Board their recommendations; and
- iii) Management has also been established with appropriate empowerment to ensure effective management and supervision of the Group's core business operations. These committees include the Management Committee, ERM Committee, Anti-Bribery and Corruption Compliance Committee, Operation Committee, Credit Control Committee, Inventory Control Committee and Logistics Committee.

## OTHER KEY ELEMENTS OF INTERNAL CONTROLS

- i) Quarterly financial results and other information are provided to the AC and Board. This oversight review allows the Board to monitor and evaluate the Group's performance in achieving its corporate objectives;
- ii) The annual budget is reviewed and approved by the Board. The actual performance would be reviewed against the targets on a quarterly basis allowing timely response and necessary action plans to be taken to improve the performance;
- iii) Comprehensive financial accounts and management reports are prepared and reviewed by the Management Committee monthly for effective monitoring and decision-making;
- iv) Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and are implemented throughout the Group. These policies and procedures are subject to periodic reviews, updates and continuous improvements to stay relevant to the changing risks and operational needs and updated statutory requirements;
- v) Professionalism and competence of staff are maintained through a rigorous recruitment process, continuous in-house training, job quality improvement and a performance appraisal and review system;
- vi) Staff professionalism, industrial skill sets and job competency are progressively developed through broad based training and development programmes;
- vii) Code of Conduct and ABC policy are implemented within the Group for all stakeholders including Directors, Management, employees of the Group and business associates. These code and policy are established to promote a corporate culture which ensures ethical conduct throughout the Group;
- viii) ABC policy and procedures implementation include employees' declaration on compliance with ABC policy, notification letters to business partners on ABC policy and ABC trainings for Directors, employees and Business Partners. In addition, all employees are required to complete ABC e-tutorial on a periodic basis;
- ix) Whistle-Blowing Policy applies to employees and also vendors, partners, associates or any individuals, including the general public, in the performance of their assignment or conducting the business for or on behalf of the Group. The implementation of this policy enables the Group to address concerns that may adversely affect the reputation and interests of the Group effectively;
- x) Appropriate insurance coverage and physical safeguards over major assets and operating infrastructure systems integrity are in place to ensure that the assets and operations of the Group are adequately covered against any mishap that may result in material losses and operational disruptions to the Group; and
- xi) In the wake of the COVID-19 pandemic, workplace Standard Operating Procedures, processes and preventive measures have been established and implemented in line with government directive to ensure employees' and community's health and safety and to contain the chances of an outbreak.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide (“AAPG”) 3, Guidance for Auditors on Engagements to Report on Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of customers, the Group’s risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group’s risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the annual report, and is of the view that the Group’s risk management system and internal control is generally satisfactory and sufficient to safeguard the shareholders’ investment, the interests of regulators and stakeholders such as customers and employees as well as the Group’s assets.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group’s risk management and internal control systems is operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

The Board and Management will continue to take necessary measure to strengthen the control environment and monitor the effectiveness of the internal control framework of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board of Directors passed on 31 March 2023.



## REPORT OF THE **AUDIT COMMITTEE**

The Board of Directors (“**Board**”) of VSTECS Berhad (“**VSTECS**” or “**the Company**”) is pleased to present the Report of Audit Committee (“**AC**”) which provides insights as to the manner the AC discharged its functions for the Group for financial year ended 31 December 2022 (“**FYE2022**”).

### **AUTHORITY**

Pursuant to Section 5.7.1 of the Board Charter, the Board has established an AC as oversight in fulfilling the Board’s stewardship accountability to its Shareholders and financial stakeholders. The AC is committed to its role in ensuring the integrity of the Group’s financial reporting process and monitoring the management of risk and system of internal controls, external and internal audit process, and such other matters that may be specifically delegated to the AC by the Board.

### **COMPOSITION AND ATTENDANCES**

The AC comprises three (3) members, which consist of two (2) Independent Non-Executive Directors (“**INEDs**”) and one (1) Non-Independent Non-Executive Director. This complies with Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (“**Main LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

Four (4) meetings were held during the year and the attendance of the AC members were as follows:

<b>Directors</b>	<b>Designation</b>	<b>Directorate</b>	<b>Attendance</b>
Abdul Aziz Bin Zainal Abidin	Chairman	Independent Non-Executive Director	4 out of 4 meetings
Wong Heng Chong	Member	Senior Independent Non-Executive Director	4 out of 4 meetings
Ong Wei Hiam	Member	Non-Independent Non-Executive Director	4 out of 4 meetings
Cheryl Khor Hui Peng (Ceased on 12 July 2022)	Member	Independent Non-Executive Director	2 out of 2 meetings

Encik Abdul Aziz Bin Zainal Abidin, an insurance practitioner who is a Fellow of the Malaysian Insurance Institute; Mr. Wong Heng Chong, a member of Chartered Accountants Australia and New Zealand and Malaysian Institute of Accountants (“**MIA**”); Mr. Ong Wei Hiam, a Fellow member of Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, respectively.

As majority of AC members possessed the requisite qualifications, the Company has complied with the minimum requirement as set forth under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities.

### **DIGITAL ASSESSMENT ON TERM OF OFFICE AND PERFORMANCE**

In line with the advent of technology, the Company has adopted online AC members’ self and peer assessments survey which was duly completed by the AC members. Upon review, the Nominating Committee noted that the AC and its members have carried out their duties in accordance with the Terms of Reference of AC, thereby complying with Paragraph 15.20 of the Main LR of Bursa Securities.

# REPORT OF THE **AUDIT COMMITTEE**

cont'd

## MEETINGS

For FYE2022, the AC held four (4) meetings as follow:-

No.	AC Meeting	Date of Meeting
(1)	50 <sup>th</sup> AC Meeting	21 February 2022
(2)	51 <sup>st</sup> AC Meeting	17 May 2022
(3)	52 <sup>nd</sup> AC Meeting	22 August 2022
(4)	53 <sup>rd</sup> AC Meeting	22 November 2022

For FYE2022, two (2) private sessions were held with the External Auditors without the presence of the Executive Board members and Management ("**Private Sessions**").

As a standing practice, the Chief Executive Officer and the Chief Financial Officer were invited to attend all AC Meetings, except the Private Sessions, to facilitate the presentation as well as to provide clarification on audit issues arising from the Group's operations. The Head of in-house Internal Audit Department and the outsourced professional Internal Auditors were invited to attend AC Meetings to table their respective Internal Audit Reports.

Minutes of the AC Meetings were recorded by the Company Secretaries and tabled for confirmation at the next following AC Meeting and subsequently presented to the Board for notation. The AC Chairman conveyed to the Board on issues of significant concern raised by the AC, Internal Auditors and/or External Auditors.

## TERMS OF REFERENCE

A copy of the Terms of Reference ("**TOR**") of the AC is available under "Corporate Governance" section on the Company's website at [www.vsteecs.com.my](http://www.vsteecs.com.my).

## ACTIVITIES OF THE AUDIT COMMITTEE

The following is a summary of the main activities carried out by the Committee during FYE2022:-

### (a) **Review of financial performance and results**

- 1) Reviewed and recommended the quarterly financial results announcements and the annual audited financial statements of the Company and the Group for the consideration and approval of the Board of Directors, focusing particularly on:
  - a) The overall performance of the Group;
  - b) The prospects for the Group;
  - c) The changes and implementation of major accounting standards and practices; and
  - d) Compliance with accounting standards and other legal requirements.
- 2) Reviewed the significant assumptions made in preparing the financial statements, including financial estimates that have been identified as having high estimation uncertainty. The following significant matters in relation to the preparation of unaudited quarterly financial results were identified by the AC for FYE2022:-
  - Allowance for Doubtful Accounts;
  - Inventory Obsolescence;
  - Monitoring of Key Financial Liabilities;
  - Fair Value Accounting Estimates;
  - Changes in or Implementation of Major Accounting standards; and
  - Application/ Adoption of new Accounting Standard.
- 3) Reviewed the Group Budget for Year 2023 and the underlying assumptions.

# REPORT OF THE AUDIT COMMITTEE

cont'd

## ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

### (b) Oversight of External Auditors

- 1) Reviewed with the External Auditors, KPMG PLT the Audit Planning Memorandum covering their scope of works, audit methodology, audit plan as well as proposed fees for the statutory audit and thereafter recommended the same to the Board for approval;
- 2) Reviewed the External Auditors' Report for FYE2022;
- 3) Reviewed updates on the introduction of Malaysian Reporting Financial Standards and how they have impacted the Group and monitored the progress made by Management in meeting the new reporting requirements;
- 4) Received updates by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements;
- 5) Receipt of KPMG PLT's confirmation on the independence of the engagement quality control reviewer and members of the engagement team in the audit for the purpose of the audit process in accordance with the terms of relevant professional and regulatory requirements;
- 6) Two (2) private sessions were held with the External Auditors without the presence of management to discuss on issues of concern and the minutes of those sessions were separately recorded;
- 7) Reviewed the performance of the External Auditors for FYE2022 before recommending to the Board their re-appointment and fixing their remuneration at the forthcoming Twenty-Seventh Annual General Meeting for the financial year ending 31 December 2023; and
- 8) Conducted the annual assessment on the suitability and independence of the External Auditors and received written assurance from the External Auditors confirming that they were and have been independent throughout the conduct of their audit engagement in accordance with all relevant professional and regulatory requirements.

### (c) Oversight of Internal Auditors and Internal Audit Function

The AC noted that the Company maintains an Internal Audit Department ("**IAD**"), as well as the engagement of an outsourced professional firm, namely Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("**Baker Tilly**" or "**Outsourced Internal Auditors**") with distinct scope of works and responsibilities.

- 1) For IAD, the AC has carried out the following works:-
  - Reviewed the risk-based Internal Audit Plan 2023 tabled by the Internal Audit Manager to ensure the adequate coverage of the internal audit programme and recommended the same be tabled to the Board for notation;
  - Reviewed the Internal Audit Reports and recommendations for corrective actions tabled by the Internal Audit Manager;
  - Reviewed and was satisfied with the performance of the Internal Audit Manager for FYE2022 using the adopted assessment form;
- 2) For the Outsourced Internal Auditors, the AC has carried out the following works:-
  - Reviewed the risk-based Internal Audit Annual Plan 2023 tabled by Baker Tilly to ensure the adequate coverage of the internal audit programme and recommended the same be tabled to the Board for notation;
  - Reviewed the Internal Audit Reports and recommendations for corrective actions tabled by Baker Tilly;
  - Reviewed and was satisfied with the performance of the Baker Tilly for FYE2022 using the adopted assessment form;

# REPORT OF THE **AUDIT COMMITTEE**

cont'd

## **ACTIVITIES OF THE AUDIT COMMITTEE** *cont'd*

### **(c) Oversight of Internal Auditors and Internal Audit Function** *cont'd*

- 3) For the Internal Audit function:-
- Reviewed the adequacy of scope, functions, competency and resources of the internal audit function; and
  - Reviewed the performance of both the IAD as well as the Outsourced Internal Auditors.

### **(d) Review of related party transactions (“RPTs”) which include recurrent related party transactions (“RRPTs”)**

- 1) Reviewed the RPTs entered into by the Company and the Group on a quarterly basis and concluded that there was no conflict of situation that might arise within the Company or Group for the applicable period;
- 2) Conducted an annual review of the RPTs in accordance with the Company's RPT Policy and concluded that the RPTs have been carried out in the best interest of the Group, being fair, reasonable and were on normal commercial terms and not detrimental to the interest of the Company's minority shareholders; and
- 3) Received additional assurance from Baker Tilly, the Outsourced Internal Auditors in the form of a RPTs report with satisfactory rating based on the review by the latter the tested samples of sales transactions entered into by the Company and its subsidiaries were at arm's length with reasonable profit margin earned by the Group.

### **(e) Oversight of Risk Committee and risk management function**

#### **(i) Enterprise Risk Management (“ERM”) Committee**

A dedicated Risk Committee known as “ERM Committee” comprising the CEO, CFO, CIO (“**Chief Information Officer**”), Group General Manager and selected Heads of Business Unit has been established by the Board. The ERM Committee which reports directly to the AC, has the primary responsibility of ensuring the effective functioning of ERM Framework.

The ERM Committee reviewed the overall risks assessment template with records of events and impact for FYE2022.

#### **(ii) Anti-Bribery and Corruption (“ABC”) Compliance Committee**

Effective 1 June 2020, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“**MACC Act**”) was amended to include the corporate liability of Malaysian commercial organisations (“**CO**”) for corruption offences under the new provision.

ABC Compliance Committee oversight by ERM Committee has been established in June 2020 to implement the ABC Policy and its supporting programs.

Members of the ABC Compliance Committee comprises of CFO (Chairman), CEO, CIO and selected Senior Leadership Team members of business units.

### **(f) ABC Compliance and Adequate Procedures**

#### **(i) Adoption of ABC Policy**

During the FYE2022, the Company, defined as a CO under the Guidelines on Adequate Procedures (“**GAP**”) issued by the Prime Minister's Office in December 2018 (which set out adequate procedures a CO would need to put in place as a defence to a corporate liability charge under the MACC Act), has established the ABC Policy and the supporting programmes.

#### **(ii) ABC Compliance Committee**

For FYE2022, a dedicated Compliance Committee known as “ABC Compliance Committee” has been established. The Committee is chaired by the CFO, and members comprises of CEO, CIO and selected Senior Leadership Team members of business units.

The ABC Compliance Committee reports directly to ERM Committee which in turn would report to AC.

# REPORT OF THE AUDIT COMMITTEE

cont'd

## INTERNAL AUDIT FUNCTION AND ACTIVITIES

### Internal Audit Function

The Internal Audit function of VSTECS comprises in-house IAD and Outsourced Internal Auditors i.e. Baker Tilly.

Internal Auditors report functionally and independently to the AC. The Internal Auditors are free from any conflict of interest with the Company and are independent of management or the operational activities reviewed for objective assessments. Internal Auditors' role encompasses risk-based examination and provides independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. In-house IAD is free from interference in determining its scope of internal auditing and performing its internal audit work.

The purpose, authority and responsibility of the Internal Audit function as identified by the AC in the form of Internal Audit Charter includes furnishing the AC with audit reports which include independent analyses, appraisals, advice and information on the activities reviewed.

### Activities

- 1) During FYE2022, the IAD and Outsourced Internal Auditors carried out audit assignments in accordance with the approved Internal Audit Plans 2022 for the Group.
- 2) Both the IAD and Outsourced Internal Auditors have tabled their risk-based Internal Audit Plans for 2023 to the AC for approval and the same has been recommended by the AC to the Board for notation.
- 3) The audit reports covering the following areas with relevant audit recommendations and Management's responses in regards to any audit findings on the weaknesses in the systems and controls of the operations were presented to the AC for discussion:-
  - The IAD presented their review reports on:
    - (i) Anti-Bribery and Corruption ("**ABC**") Compliance for the Group;
    - (ii) Enterprise Risk Management for the Group;
    - (iii) Project Management for the Group;
    - (iv) Total Company's Operations review for the Group;
    - (v) Warehouse Management System review for the Group;
    - (vi) Costing Management review for the subsidiaries;
    - (vii) Procurement Processes for the subsidiaries; and
    - (viii) Personal Data Protection Act review for the Group.
  - Baker Tilly presented their review reports on:
    - (i) Recurring Related Party Transactions for the Group;
    - (ii) Human Resource Management and Payroll Function, General Security and Safety Management, and, Business Risk Management Process for the Group;
    - (iii) Warranty Claim Management, Marketing Activities Management Usage and Effectiveness of CRM System for the subsidiaries; Tender Participation and Project Management for a subsidiary;
    - (iv) Effectiveness of Support Services for a subsidiary; and
    - (v) Vendor or Service Provider Contract Management for a subsidiary.
  - Baker Tilly affirmed to the AC that root cause analysis has been conducted as part of the Internal Audit works to enable relevant recommendations to address the weaknesses noted.

### Internal Audit Charter

The Internal Audit Charter ("**IAC**") should be regularly reviewed by the AC and the IAC has been reviewed by the AC during the financial year and the same has been recommended to the Board for approval. Accordingly, the IAC was approved by the Board on 8 November 2018.

# REPORT OF THE **AUDIT COMMITTEE**

cont'd

## **INTERNAL AUDIT FUNCTION AND ACTIVITIES** *cont'd*

### **Assessment on adequacy and performance**

The AC has conducted an assessment to assess the adequacy and performance of the Outsourced Internal Auditors and IAD for FYE2022 based on the following main criteria:-

- (i) Qualification and Experience;
- (ii) Understanding;
- (iii) Charter and Structure;
- (iv) Skills and experiences;
- (v) Communication
- (vi) Internal Audit Function;
- (vii) In-house IA Assessment;
- (viii) Outsourced IA Assessment; and
- (ix) Performance.

Upon evaluation, the AC concluded that the overall performance of the Outsourced Internal Auditors and IAD for FYE2022 was adequate and the AC was satisfied with the adequacy and performance of the Outsourced Internal Auditors and IAD during the financial period under review.

### **Resources**

The IAD is headed by Ms. Pearly Lee Pei Sze who graduated with a Degree in Bachelor Degree (Honours) in Applied Accounting and she is assisted by one (1) Executive, a member of Association of Chartered Certified Accountants (UK).

Baker Tilly, the Outsourced Internal Auditors is headed by Mr. Kuan Yew Choong, a Chartered Accountant as the Engagement Director. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA), Chartered Accountant with the MIA as well as Chartered Member of the IIAM with over 20 years of experience in conducting and leading the internal audit and review of internal controls, governance and risk practices and systems for many of the public listed companies as well as private companies or organisations. He is assisted by 4 staff, depending on the auditable work scope, serving as the IA Engagement Team to the Company.

For FYE2022, both the IAD personnel and the Baker Tilly Engagement Team personnel have affirmed to the AC that they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

### **Costs Incurred for FYE2022**

The total cost incurred for the Internal Audit Function for FYE2022 was RM259,281, segregated in the following manner:-

- 1) IAD – RM218,281 (FYE2021: RM206,578)
- 2) Baker Tilly – RM41,000 (FYE2021: RM41,000)

This Report of the AC is made in accordance with the Resolution of the Board of Directors passed on 31 March 2023.

## OTHER INFORMATION

Required by the Main LR of Bursa Securities

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following are provided:-

### 1. UTILISATION OF PROCEEDS

During the financial year, no proceeds were raised by the Company from any corporate proposal.

### 2. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2022, the External Auditors has rendered audit and non-audit services to the Company and the Group, a breakdown of which is listed as below for information:-

	Group RM	Company RM
<b><u>Audit services rendered</u></b>	224,000	77,000
<b><u>Non-audit services rendered</u></b>		
1) Report on Directors' Statement on Risk Management and Internal Control	10,000	10,000
2) Tax services provided by its local authorities	35,350	6,950
<b>Total of Non-audit Fees</b>	45,350	16,950

### 3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

None of the directors and/or major shareholders has any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended 31 December 2022 or entered into since the end of the previous financial year.

### 4. DIRECTORS' TRAINING AND EDUCATION

The Directors attended numerous trainings during the financial year ended 31 December 2022 and the details of trainings are disclosed the Corporate Governance Overview Statement on Pages 60 to 61 of this Annual Report.

### 5. RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Significant related party transactions of the Group for the financial year are disclosed in Note 30 to the Financial Statements.

### 6. SHARE ISSUANCE SCHEME FOR EMPLOYEES

The Group did not offer any share scheme for employees during the financial year ended 31 December 2022.

### 7. LIST OF PROPERTIES

The Group did not own any property of which its net book value is 5% or more of the consolidated total assets as at the end of the financial year ended 31 December 2022.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

In relation to the preparing of the financial statements

This statement is prepared as required by the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The Directors are required to prepare annual financial statements which are in accordance with applicable approved accounting standards; to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year; and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2022:-

- the Group and the Company have adopted appropriate accounting policies and applied them consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable approved accounting standards in Malaysia, including but not limited to Malaysian Financial Reporting Standards ("**MFRS**") and International Financial Reporting Standards ("**IFRS**") have been followed; and
- prepared the abovementioned financial statements on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Companies Act 2016 and have been made out in accordance with applicable MFRS, IFRS and the Main LR of Bursa Securities.

The Directors are also responsible for taking the necessary steps whenever required to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

This Statement on Directors' Responsibility is made in accordance with a resolution of the Board of Directors passed on 31 March 2023.





# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

## For the year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

### RESULTS

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<hr/>		
Profit for the year attributable to:		
Owners of the Company	59,680	22,191
	<hr/>	<hr/>

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

### DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2021:
  - a single tier interim dividend of 3.7 sen and special dividend of 0.5 sen per ordinary share, totalling 4.2 sen per ordinary share amounted to RM14,982,000 declared on 22 February 2022 and paid on 11 May 2022.
- ii) In respect of the financial year ended 31 December 2022:
  - a single tier interim dividend of 2.5 sen per ordinary share, totalling RM8,914,000 declared on 23 November 2022 and paid on 18 January 2023.

The second single tier interim dividend declared by the Directors on 21 February 2023 in respect of the financial year ended 31 December 2022 is a single tier dividend of 3.7 sen per ordinary share, which is payable on 16 May 2023.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2022.

# DIRECTORS' REPORT

For the year ended 31 December 2022

cont'd

## DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Lee Marn Fong @ Wu Marn Fong (Appointed on 16 February 2022)  
 Soong Jan Hsung  
 Wong Heng Chong  
 Ong Wei Hiam  
 Abdul Aziz bin Zainal Abidin  
 Dato' Khoo Sin Aik  
 Anne Rodrigues Nee Koh Lan Heong (Appointed on 30 December 2022)  
 Cheryl Khor Hui Peng (Resigned on 12 July 2022)

## DIRECTORS OF SUBSIDIARIES

The Directors who served on board of the subsidiaries during the financial year until the date of this report are:

Lee Marn Fong @ Wu Marn Fong (Appointed on 22 March 2022)  
 Soong Jan Hsung  
 Chan Puay Chai  
 Tee Ang Kuan

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2022
	At 1.1.2022	Bought	Sold	
<b>Lee Marn Fong @ Wu Marn Fong</b>				
<i>Own interest in the Company</i>				
- indirect	44,192,400	-	-	44,192,400
<b>Soong Jan Hsung</b>				
<i>Own interest in the Company</i>				
- direct	450,000	-	-	450,000
<b>Wong Heng Chong</b>				
<i>Own interest in the Company</i>				
- direct	450,000	-	-	450,000
<b>Dato' Khoo Sin Aik</b>				
<i>Own interest in the Company</i>				
- indirect	10,000	-	-	10,000

None of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# DIRECTORS' REPORT

For the year ended 31 December 2022  
cont'd

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	<b>From the Company</b>	<b>From subsidiary companies</b>
	<b>RM'000</b>	<b>RM'000</b>
<hr/>		
Directors of the Company:		
Fees	421	8
Remuneration	32	3,121
Estimated money value of any other benefits	-	24
	453	3,153
	453	3,153

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## SHARES BUY-BACK

The details of share buy-back are disclosed in Note 14 to the financial statements.

## INDEMNITY AND INSURANCE COSTS

During the financial year, the Company maintained a Directors and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers' Liability Insurance was RM10,000,000 per occurrence and in the aggregate. The insurance premium paid by the Company is RM15,200 a year.

# DIRECTORS' REPORT

For the year ended 31 December 2022

cont'd

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## AUDITORS

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM224,000 and RM77,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Lee Marn Fong @ Wu Marn Fong**  
Director

**Soong Jan Hsung**  
Director

Date: 31 March 2023

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Assets</b>					
Plant and equipment	3	3,051	2,242	-	-
Right-of-use assets	4	2,150	3,949	-	-
Intangible asset	5	571	571	-	-
Investments in subsidiaries	6	-	-	77,022	77,022
Investment in an associate	7	25,760	23,935	18,796	18,796
Investment in a joint venture	8	13,463	13,910	12,170	12,170
Other investments	9	231	62	-	-
Deferred tax assets	15	4,328	1,660	-	-
Receivables and deposits	11	-	292	-	-
<b>Total non-current assets</b>		<b>49,554</b>	<b>46,621</b>	<b>107,988</b>	<b>107,988</b>
Inventories	10	253,198	222,533	-	-
Receivables and deposits	11	363,372	345,695	25,583	3,317
Prepayments		1,071	769	11	11
Tax recoverable		202	-	97	162
Cash and cash equivalents	12	46,595	72,652	174	15,745
<b>Total current assets</b>		<b>664,438</b>	<b>641,649</b>	<b>25,865</b>	<b>19,235</b>
<b>Total assets</b>		<b>713,992</b>	<b>688,270</b>	<b>133,853</b>	<b>127,223</b>
<b>Equity</b>					
Share capital	13	90,000	90,000	90,000	90,000
Reserves	14	321,116	285,827	34,362	36,562
<b>Total equity attributable to owners of the Company</b>		<b>411,116</b>	<b>375,827</b>	<b>124,362</b>	<b>126,562</b>
<b>Liabilities</b>					
Lease liabilities		308	2,103	-	-
<b>Total non-current liabilities</b>		<b>308</b>	<b>2,103</b>	<b>-</b>	<b>-</b>
Borrowings	16	13,500	-	-	-
Lease liabilities		1,919	1,921	-	-
Payables and accruals	17	264,276	283,766	9,491	661
Contract liabilities	18	10,966	15,961	-	-
Derivative financial liabilities	19	4,544	1,721	-	-
Tax payable		7,363	6,971	-	-
<b>Total current liabilities</b>		<b>302,568</b>	<b>310,340</b>	<b>9,491</b>	<b>661</b>
<b>Total liabilities</b>		<b>302,876</b>	<b>312,443</b>	<b>9,491</b>	<b>661</b>
<b>Total equity and liabilities</b>		<b>713,992</b>	<b>688,270</b>	<b>133,853</b>	<b>127,223</b>

The accompanying notes form an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Revenue</b>	20	<b>2,770,614</b>	2,625,818	<b>22,860</b>	20,900
Cost of sales		<b>(2,620,831)</b>	(2,486,447)	-	-
<b>Gross profit</b>		<b>149,783</b>	139,371	<b>22,860</b>	20,900
Other income		<b>194</b>	1,901	-	5
Distribution expenses		<b>(47,708)</b>	(45,785)	-	-
Administrative expenses		<b>(25,581)</b>	(24,588)	<b>(1,040)</b>	(1,074)
Net loss on impairment of financial instruments		<b>(74)</b>	(292)	-	-
<b>Results from operating activities</b>	21	<b>76,614</b>	70,607	<b>21,820</b>	19,831
Finance income	22	<b>466</b>	1,304	<b>482</b>	193
Finance costs	23	<b>(506)</b>	(217)	-	-
Net finance (expense)/income		<b>(40)</b>	1,087	<b>482</b>	193
Share of profit of equity-accounted associate, net of tax	7	<b>2,985</b>	2,161	-	-
Share of profit of equity-accounted joint venture, net of tax	8	<b>553</b>	573	-	-
<b>Profit before tax</b>		<b>80,112</b>	74,428	<b>22,302</b>	20,024
Tax expense	25	<b>(20,432)</b>	(19,436)	<b>(111)</b>	(53)
<b>Profit for the year/Total comprehensive income for the year attributable to owners of the Company</b>		<b>59,680</b>	54,992	<b>22,191</b>	19,971
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	26	<b>16.7</b>	15.4		

The accompanying notes form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	←----- Attributable to owners of the Company -----→				Total equity
		Share capital	Treasury shares	Merger reserve	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
<b>At 1 January 2021</b>		90,000	(1,453)	-	245,676	334,223
Profit for the year/Total comprehensive income for the year		-	-	-	54,992	54,992
Dividends to owners of the Company	27	-	-	-	(13,388)	(13,388)
<b>At 31 December 2021/ 1 January 2022</b>		90,000	(1,453)	-	287,280	375,827
Profit for the year/Total comprehensive income for the year		-	-	-	59,680	59,680
Own shares acquired		-	(495)	-	-	(495)
Dividends to owners of the Company	27	-	-	-	(23,896)	(23,896)
<b>At 31 December 2022</b>		<b>90,000</b>	<b>(1,948)</b>	<b>-</b>	<b>323,064</b>	<b>411,116</b>
		Note 13	Note 14.3		Note 14.2	
<b>Company</b>						
<b>At 1 January 2021</b>		90,000	(1,453)	22,961	8,471	119,979
Profit for the year/Total comprehensive income for the year		-	-	-	19,971	19,971
Dividends to owners of the Company	27	-	-	-	(13,388)	(13,388)
<b>At 31 December 2021/ 1 January 2022</b>		90,000	(1,453)	22,961	15,054	126,562
Profit for the year/Total comprehensive income for the year		-	-	-	22,191	22,191
Own shares acquired		-	(495)	-	-	(495)
Dividends to owners of the Company	27	-	-	-	(23,896)	(23,896)
<b>At 31 December 2022</b>		<b>90,000</b>	<b>(1,948)</b>	<b>22,961</b>	<b>13,349</b>	<b>124,362</b>
		Note 13	Note 14.3	Note 14.1	Note 14.2	

The accompanying notes form an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	80,112	74,428	22,302	20,024
<i>Adjustments for:</i>				
Depreciation of plant and equipment	970	822	-	-
Depreciation of right-of-use assets	1,924	1,929	-	-
Dividend income from subsidiaries	-	-	(20,700)	(19,500)
Dividend income from an associate	-	-	(1,160)	(800)
Dividend income from a joint venture	-	-	(1,000)	(600)
Gain on disposal of plant and equipment	(19)	(20)	-	-
Gain on derecognition of right-of-use asset	(3)	(12)	-	-
(Gain)/Loss on foreign exchange				
- Unrealised	(2,268)	966	-	-
Finance costs	506	217	-	-
Finance income	(466)	(1,304)	(482)	(193)
Fair value changes on financial instruments	2,954	30	-	-
Plant and equipment written off	2	13	-	-
Share of profit of equity-accounted associate, net of tax	(2,985)	(2,161)	-	-
Share of profit of equity-accounted joint venture, net of tax	(553)	(573)	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>80,174</b>	<b>74,335</b>	<b>(1,040)</b>	<b>(1,069)</b>
Changes in working capital:				
Inventories	(30,665)	(136,007)	-	-
Receivables, deposits and prepayments	(17,687)	(26,785)	504	1,314
Payables and accruals	(26,136)	80,687	(84)	(650)
Contract liabilities	(4,995)	3,786	-	-
<b>Cash generated from/(used in) operations</b>	<b>691</b>	<b>(3,984)</b>	<b>(620)</b>	<b>(405)</b>
Tax paid	(22,910)	(16,906)	(46)	(312)
<b>Net cash used in operating activities</b>	<b>(22,219)</b>	<b>(20,890)</b>	<b>(666)</b>	<b>(717)</b>
<b>Cash flows from investing activities</b>				
Acquisition of plant and equipment	(1,784)	(926)	-	(33)
Proceeds from disposal of plant and equipment	22	21	-	837
Proceeds from disposal of investment properties	-	9,000	-	-
Purchase of other investment	(300)	-	-	-
Dividend income from subsidiaries	-	-	20,700	19,500
Dividend income from an associate	1,160	800	1,160	800
Dividend income from a joint venture	1,000	600	1,000	600
<b>Net cash from investing activities</b>	<b>98</b>	<b>9,495</b>	<b>22,860</b>	<b>21,704</b>

## STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

cont'd

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	13,500	-	-	-
Repayment (to)/from subsidiaries	-	-	(22,300)	7,000
Interest paid	(506)	(217)	-	-
Interest received	466	1,188	12	36
Dividends paid to owners of the Company	(14,982)	(13,388)	(14,982)	(13,388)
Payment of lease liabilities	(1,919)	(1,861)	-	-
Repurchase of treasury shares	(495)	-	(495)	-
<b>Net cash used in financing activities</b>	<b>(3,936)</b>	<b>(14,278)</b>	<b>(37,765)</b>	<b>(6,352)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(26,057)</b>	<b>(25,673)</b>	<b>(15,571)</b>	<b>14,635</b>
Cash and cash equivalents at 1 January	72,652	98,325	15,745	1,110
<b>Cash and cash equivalents at 31 December</b>	<b>46,595</b>	<b>72,652</b>	<b>174</b>	<b>15,745</b>

### Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	46,595	72,030	174	15,745
Liquid investments	-	622	-	-
	<b>46,595</b>	<b>72,652</b>	<b>174</b>	<b>15,745</b>

### Cash outflows for leases as a lessee

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Included in net cash from operating activities:</b>				
Interest paid in relation to lease liabilities	160	217	-	-
<b>Included in net cash from financing activities:</b>				
Payment of lease liabilities	1,919	1,861	-	-
<b>Total cash outflows for leases</b>	<b>2,079</b>	<b>2,078</b>	<b>-</b>	<b>-</b>

## STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

cont'd

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Termination of lease contract RM'000	At 31 December 2021/1 January 2022 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Termination of lease contract RM'000	At 31 December 2022 RM'000
<b>Group</b>									
Borrowings	-	-	-	-	-	13,500	-	-	<b>13,500</b>
Lease liabilities	5,441	(1,861)	485	(41)	4,024	(1,919)	194	(72)	<b>2,227</b>
Total liabilities from financing activities	5,441	(1,861)	485	(41)	4,024	11,581	194	(72)	<b>15,727</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

VSTECS Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

## Principal place of business

Lot 3, Jalan Teknologi 3/5  
Taman Sains Selangor  
Kota Damansara  
47810 Petaling Jaya

## Registered office

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Wilayah Persekutuan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in an associate and a joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include any other entities.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 31 March 2023.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024***

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 1. BASIS OF PREPARATION *cont'd*

### (a) Statement of compliance *cont'd*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standard and amendments are not expected to have any material financial impact to the current and prior period financial statements of the Group and of the Company.

### (b) Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis other than as disclosed in the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 31.4 – measurement of expected credit loss ("ECL").

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### (a) Basis of consolidation *cont'd*

##### (i) Subsidiaries *cont'd*

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date the significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (a) Basis of consolidation *cont'd*

#### (iii) Associates *cont'd*

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

#### (iv) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (v) Acquisition of non-controlling interests

The Group accounts for changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (vi) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

#### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

### (c) Financial instruments

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

##### ***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### (a) ***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (c) Financial instruments *cont'd*

#### (ii) Financial instrument categories and subsequent measurement *cont'd*

##### **Financial assets** *cont'd*

#### (b) Fair value through other comprehensive income

##### **Equity instruments**

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

#### (c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(j)(i)).

##### **Financial liabilities**

The categories of financial liabilities at initial recognition are as follows:

#### (a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (c) Financial instruments *cont'd*

#### (ii) Financial instrument categories and subsequent measurement *cont'd*

##### **Financial liabilities** *cont'd*

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

##### **(b) Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### (iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company; and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

#### (iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (c) Financial instruments *cont'd*

#### (iv) Financial guarantee contracts *cont'd*

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Plant and equipment

#### (i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### (d) Plant and equipment *cont'd*

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

• Office equipment	5 years
• Office renovation	5 years
• Motor vehicles	5 years
• Furniture and fittings	4 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

#### (e) Leases

##### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (e) Leases *cont'd*

#### (ii) Recognition and initial measurement

##### (a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (e) Leases *cont'd*

#### (iii) Subsequent measurement

##### (a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

### (f) Intangible assets

#### Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associate and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associate and joint venture.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (h) Contract liability

A contract liability is stated at cost and represents the obligation of the Group entities to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investment which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### (j) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using an allowance matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### (j) Impairment *cont'd*

##### (ii) Other assets *cont'd*

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

#### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

##### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (k) Equity instruments *cont'd*

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares) *cont'd*

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

### (l) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (n) Revenue and other income

#### (i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### (n) Revenue and other income *cont'd*

##### (i) Revenue *cont'd*

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

##### (ii) Rental income

Rental income from investment properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

##### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

#### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (p) Income tax *cont'd*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (s) Contingencies

#### Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 3. PLANT AND EQUIPMENT

	Office equipment RM'000	Office renovation RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Total RM'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2021	13,040	470	2,129	2,715	18,354
Additions	887	10	-	29	926
Disposal	(25)	-	-	-	(25)
Written off	(2,368)	-	-	-	(2,368)
At 31 December 2021/1 January 2022	11,534	480	2,129	2,744	16,887
Additions	806	-	-	978	1,784
Disposal	(3)	-	-	-	(3)
Written off	(145)	-	-	-	(145)
At 31 December 2022	<b>12,192</b>	<b>480</b>	<b>2,129</b>	<b>3,722</b>	<b>18,523</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	11,539	378	1,673	2,612	16,202
Depreciation for the year	514	42	220	46	822
Disposal	(24)	-	-	-	(24)
Written off	(2,355)	-	-	-	(2,355)
At 31 December 2021/ 1 January 2022	9,674	420	1,893	2,658	14,645
Depreciation for the year	622	36	169	143	970
Disposal	-	-	-	-	-
Written off	(143)	-	-	-	(143)
At 31 December 2022	10,153	456	2,062	2,801	15,472
<b>Carrying amounts</b>					
At 1 January 2021	1,501	92	456	103	2,152
At 31 December 2021/ 1 January 2022	1,860	60	236	86	2,242
At 31 December 2022	<b>2,039</b>	<b>24</b>	<b>67</b>	<b>921</b>	<b>3,051</b>

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 3. PLANT AND EQUIPMENT *cont'd*

	<b>Office equipment RM'000</b>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2021	3,174
Additions	33
Disposal	(3,007)
Written off	(200)
At 31 December 2021/1 January 2022/31 December 2022	<b>-</b>
<b>Accumulated depreciation</b>	
At 1 January 2021	2,370
Disposal	(2,170)
Written off	(200)
At 31 December 2021/1 January 2022/31 December 2022	<b>-</b>
<b>Carrying amounts</b>	
At 1 January 2021	804
At 31 December 2021/1 January 2022/31 December 2022	<b>-</b>

### 4. RIGHT-OF-USE ASSETS

	<b>Building RM'000</b>	<b>Total RM'000</b>
<b>Group</b>		
At 1 January 2021	5,422	5,422
Addition	485	485
Depreciation	(1,929)	(1,929)
Derecognition	(29)	(29)
At 31 December 2021/1 January 2022	3,949	3,949
Addition	194	194
Depreciation	(1,924)	(1,924)
Derecognition	(69)	(69)
At 31 December 2022	<b>2,150</b>	<b>2,150</b>

The Group leases warehouse and a number of office buildings that run between 2 years to 3 years, with an option to renew the lease after that date.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 4. RIGHT-OF-USE ASSETS *cont'd*

### 4.1 Extension options

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As of 31 December 2022, the Group has included all potential future cash flows of exercising the extension options in the lease liabilities.

### 4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustment required to reflect the term, security, value or economic environment of the respective leases.

## 5. Intangible asset

### Goodwill

	Note	Group	
		2022 RM'000	2021 RM'000
At cost	5.1	571	571

### 5.1 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's investment in VSTECS Pericomp Sdn. Bhd. which represents the lowest level of cash-generating unit within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value-in-use. The carrying amount of the unit was determined to be approximately its recoverable amount and no impairment loss was recognised.

Value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results in current year and one-year business plan in current year. Cash flows for the one-year period were projected using a constant growth rate of 4.6% (2021: 5.3%), which does not exceed the long-term average growth rate of the industry.

The values assigned to the key assumptions represent management's assessment of future trends in the Information Technology industry and are based on both external sources and internal sources (historical data).

The estimate of value-in-use was determined using a pre-tax discount rate of 3.5% (2021: 3.0%).

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	RM'000
At cost	77,022	77,022

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2022	2021
			%	%
VSTECS Astar Sdn. Bhd.	Malaysia	All these companies are engaged in the marketing of computers, peripherals, software and the provision of computer maintenance services.	100	100
VSTECS Pericomp Sdn. Bhd.	Malaysia		100	100
VSTECS KU Sdn. Bhd.	Malaysia		100	100
VSTECS Kush Sdn. Bhd.	Malaysia	Provision of logistics services including warehousing and transportation of ICT products and the provision of management and support services.	100	100

### 7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At cost				
Unquoted shares	18,796	18,796	18,796	18,796
Share of post-acquisition reserves	6,964	5,139	-	-
	25,760	23,935	18,796	18,796

Details of the associate is as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest	
			2022	2021
			%	%
ISATEC Sdn. Bhd.	Malaysia	Provider of products and contract programming services related to information technology and telecommunication facilities.	40	40

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 7. INVESTMENT IN AN ASSOCIATE *cont'd*

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	Group	
	2022 RM'000	2021 RM'000
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	1,715	654
Current assets	49,878	40,647
Current liabilities	(20,195)	(14,466)
Net assets	31,398	26,835
<b>Year ended 31 December</b>		
Profit and total comprehensive income	6,903	5,777
<b>Included in the total comprehensive income:</b>		
Revenue	61,293	51,443
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	12,559	10,734
Goodwill	13,201	13,201
Carrying amount in the statement of financial position	25,760	23,935
<b>Group's share of results for the year ended 31 December</b>		
Group's share of profit and total comprehensive income	2,985	2,161
Dividend received by the Group	1,160	800

### 8. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost				
Unquoted shares	12,170	12,170	12,170	12,170
Share of post-acquisition reserves	1,293	1,740	-	-
	13,463	13,910	12,170	12,170



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 8. INVESTMENT IN A JOINT VENTURE *cont'd*

Details of the joint venture is as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest	
			2022	2021
			%	%
Enrich Platinum Sdn. Bhd.*	Malaysia	Investment holding and business of providing property management services.	50	50

\* Not audited by member firm of KPMG International Limited

The following table summarises the financial information of the Group's joint venture, as adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture, which is accounted for using the equity method.

	Group	
	2022 RM'000	2021 RM'000
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	29,128	29,128
Current assets	353	1,053
Non-current liabilities	(860)	(860)
Current liabilities	(1,046)	(1,069)
Net assets	27,575	28,252
<b>Year ended 31 December</b>		
Profit and total comprehensive income	1,323	1,363
<b>Included in the total comprehensive income:</b>		
Revenue	1,920	1,920
Income tax expense	(368)	(375)
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	13,787	14,126
Depreciation on investment property	(324)	(216)
Carrying amount in the statement of financial position	13,463	13,910
<b>Group's share of results for the year ended 31 December</b>		
Group's share of profit and total comprehensive income	553	573
Dividend received by the Group	1,000	600

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 9. OTHER INVESTMENTS

	Group	
	2022 RM'000	2021 RM'000
Fair value through profit or loss		
- Investment in quoted equity in Malaysia	169	-
Fair value through other comprehensive income		
- Investment in club membership	62	62
	<b>231</b>	62

### 10. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Finished goods	249,293	218,786
Goods-in-transit	3,905	3,747
	<b>253,198</b>	222,533
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,627,294	2,526,227
Write down to net realisable value	4,781	1,873

The write-down is included in cost of sales.

### 11. RECEIVABLES AND DEPOSITS

Note	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Trade</b>				
<b>Non-current</b>				
Trade receivable	11.1	-	292	-
<b>Current</b>				
Trade receivables		347,707	336,096	-
Less: Impairment loss	11.2	(763)	(691)	-
		<b>346,944</b>	335,405	-
Amount due from a subsidiary	11.3	-	-	251
		<b>346,944</b>	335,405	251
<b>Non-trade</b>				
Other receivables	11.4	14,132	8,372	16
Deposits	11.5	2,296	1,918	2
Amount due from subsidiaries	11.6	-	-	25,314
		<b>16,428</b>	10,290	25,332
		<b>363,372</b>	345,695	3,317
		<b>363,372</b>	345,987	25,583
				3,066

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 11. RECEIVABLES AND DEPOSITS *cont'd*

### 11.1 Non-current trade receivable

In previous financial year, the amount owing by non-current trade receivable was unsecured, interest free and repayable in year 2023.

### 11.2 Impairment loss

Trade receivables amounting to RM2,000 (2021: RM304,000) was written off against the impairment loss brought forward.

### 11.3 Amount due from a subsidiary (Trade)

The amount due from subsidiary is unsecured, interest free and subject to normal trade terms.

### 11.4 Other receivables (Non-trade)

Included in other receivables of the Group is marketing and promotion expenses incurred on behalf and receivable from respective vendors ("marketing claims") amounting to RM13,440,000 (2021: RM7,708,000).

### 11.5 Deposits

Included in deposits of the Group is an amount of RM960,000 (2021: RM960,000) paid as rental security deposits to the joint venture.

### 11.6 Amount due from subsidiaries (Non-trade)

Included in the amount due from subsidiaries is a non-trade short-term loan of RM25,300,000 (2021: RM3,000,000) which is unsecured, bears interest at 3.25% (2021: 3%) per annum and repayable on demand.

## 12. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances		46,595	72,030	174	15,745
Liquid investment	12.1	-	622	-	-
		46,595	72,652	174	15,745

### 12.1 Liquid investment

In previous financial year, liquid investment was related to the investment account which had a face value of RM1 per unit.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 13. SHARE CAPITAL

	Group and Company			
	Amount	Number	Amount	Number
	2022	of shares	2021	of shares
	RM'000	'000	RM'000	'000
Issued and fully paid with no par value:				
Ordinary shares				
At 1 January	90,000	360,000	90,000	180,000
Bonus issue	-	-	-	180,000
At 31 December	90,000	360,000	90,000	360,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 14. RESERVES

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Merger reserves	14.1	-	-	22,961	22,961
Retained earnings	14.2	323,064	287,280	13,349	15,054
Treasury shares	14.3	(1,948)	(1,453)	(1,948)	(1,453)
		321,116	285,827	34,362	36,562

### 14.1 Merger reserve

#### Company

The merger reserve of the Company represents the premium arising on the shares issued in respect of the subsidiaries accounted for under the merger method of accounting which is credited to the merger reserve account.

### 14.2 Retained earnings

#### Group

A merger deficit amounting to RM44,561,000 is set off against the reserves of the Group. The merger deficit arose from the Group's internal rationalisation exercise carried out in 2009, pursuant to the proposed listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, which involved related parties under common control. The amount represents the excess of the consideration given over the accumulated value of the share capital of the combining entities.

### 14.3 Treasury shares

Treasury shares comprises cost of acquisition of the Company's own shares. At 31 December 2022, the Group held 3,444,000 (2021: 2,998,000) of the Company's own shares after the bonus shares was issued.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 15. DEFERRED TAX ASSETS

### Recognised deferred tax assets

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Plant and equipment	-	-	(492)	(215)	(492)	(215)
Right-of-use assets	-	-	(391)	(549)	(391)	(549)
Lease liabilities	393	564	-	-	393	564
Unabsorbed capital allowances	127	-	-	-	127	-
Provisions	4,557	1,623	-	-	4,557	1,623
Other items	134	237	-	-	134	237
Tax assets/(liabilities)	5,211	2,424	(883)	(764)	4,328	1,660
Set off of tax	(883)	(764)	883	764	-	-
Net tax assets	4,328	1,660	-	-	4,328	1,660

### Movement in temporary differences during the year

	Recognised in profit or loss		Recognised in profit or loss		At 31.12.2022
	At 1.1.2021	(Note 25)	At 31.12.2021/1.1.2022	(Note 25)	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Plant and equipment	(80)	(135)	(215)	(277)	(492)
Right-of-use assets	(517)	(32)	(549)	158	(391)
Lease liabilities	509	55	564	(171)	393
Unabsorbed capital allowance	-	-	-	127	127
Provisions	978	645	1,623	2,934	4,557
Other items	7	230	237	(103)	134
	897	763	1,660	2,668	4,328
<b>Company</b>					
Plant and equipment	(15)	15	-	-	-
Provisions	29	(29)	-	-	-
	14	(14)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 16. BORROWINGS

	Group	
	2022 RM'000	2021 RM'000
Short-term borrowings:		
Banker's acceptances	13,500	-

The banker's acceptances of the Group are supported by way of corporate guarantee by the Company.

## 17. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Trade</b>					
Trade payables		192,606	226,261	-	-
Deferred revenue		190	103	-	-
		<b>192,796</b>	<b>226,364</b>	<b>-</b>	<b>-</b>
<b>Non-trade</b>					
Other payables and accrued expenses	17.1	62,566	57,402	567	544
Dividend payable	27	8,914	-	8,914	-
Amount due to subsidiaries	17.2	-	-	10	117
		<b>71,480</b>	<b>57,402</b>	<b>9,491</b>	<b>661</b>
		<b>264,276</b>	<b>283,766</b>	<b>9,491</b>	<b>661</b>

### 17.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is accrual for marketing and promotion expenses amounting to RM29,336,000 (2021: RM20,532,000).

### 17.2 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

## 18. CONTRACT WITH CUSTOMERS

### Contract liabilities

	2022 RM'000	2021 RM'000
<b>Group</b>		
Contract liabilities	10,966	15,961

Contract liabilities primarily relate to credit notes not yet issued to customers arising from the marketing and promotional activities and advance payment received.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 19. DERIVATIVE FINANCIAL LIABILITIES

Derivatives held for trading at fair value through profit or loss:

	2022		2021	
	Nominal value	Liabilities	Nominal value	Liabilities
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Forward exchange contracts	141,039	4,544	160,929	1,721

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group entities. All of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

## 20. REVENUE

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
<b>Revenue from contracts with customers</b>					
Sale of goods		2,768,522	2,623,661	-	-
Services		2,092	2,157	-	-
	20.1	2,770,614	2,625,818	-	-
<b>Other revenue</b>					
Dividend income from:					
- subsidiaries		-	-	20,700	19,500
- associate		-	-	1,160	800
- joint venture		-	-	1,000	600
<b>Total revenue</b>		2,770,614	2,625,818	22,860	20,900

### 20.1 Nature of goods and services

The following information reflects the typical transactions of the Group and of the Company:

Type of product/service	Nature and timing of satisfaction of performance obligations including significant payment terms
Sale of goods	Revenue is recognised when the goods are delivered and accepted by customers. Normal credit term is 30 days. Rebates are given to customers based on various marketing programs.
Services	Revenue is recognised over time as the services are performed. Credit period is normally 30 days.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 21. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Results from operating activities are arrived at after charging/(crediting):</b>				
<b>Auditors' remuneration</b>				
- Audit fees				
KPMG PLT	224	224	77	77
Over-provision in prior year	-	(2)	-	-
- Non-audit fees				
KPMG PLT	10	10	10	10
KPMG Tax Services Sdn. Bhd.	35	133	7	7
<b>Material expenses/(income)</b>				
Dividend income:				
- associate	-	-	(1,160)	(800)
- joint venture	-	-	(1,000)	(600)
- subsidiaries	-	-	(20,700)	(19,500)
Fair value loss on financial instruments				
- Forward exchange contracts	2,823	30	-	-
- Other investment	131	-	-	-
Gain on disposal of plant and equipment	(19)	(20)	-	-
(Gain)/Loss on foreign exchange (net):				
- Realised	(595)	(2,641)	-	-
- Unrealised	(2,268)	966	-	-
Depreciation of plant and equipment	970	822	-	-
Depreciation of right-of-use assets	1,924	1,929	-	-
Provision for inventories written down	4,781	1,873	-	-
Plant and equipment written off	2	13	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,457	3,476	-	-
- Wages, salaries and others	47,021	46,779	-	(20)
<b>Net loss on impairment of financial instruments</b>				
Bad debts recovered	(188)	(24)	-	-
Trade receivables	262	316	-	-
	74	292	-	-



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 22. FINANCE INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income of financial assets at fair value through profit or loss	1	7	-	-
Interest income of financial assets at amortised cost:				
- Recognised before impairment	465	1,297	482	193
	<b>466</b>	<b>1,304</b>	<b>482</b>	<b>193</b>

### 23. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are at amortised cost	346	-	-	-
Interest expense on lease liabilities	160	217	-	-
	<b>506</b>	<b>217</b>	<b>-</b>	<b>-</b>

### 24. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Directors</b>				
- Fees	433	416	421	404
- Remuneration	5,348	4,393	32	32
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	53	79	-	-
	<b>5,834</b>	<b>4,888</b>	<b>453</b>	<b>436</b>
<b>Other key management personnel</b>				
- Remuneration	1,785	1,718	-	-
- Contributions to Employees' Provident Fund	359	328	-	-
- Other short-term employee benefits	1,303	1,104	-	-
	<b>3,447</b>	<b>3,150</b>	<b>-</b>	<b>-</b>
	<b>9,281</b>	<b>8,038</b>	<b>453</b>	<b>436</b>

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 25. TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current tax expense</b>				
- Current year	22,790	19,066	113	46
- Under/(Over) provision in prior years	310	1,133	(2)	(7)
	<b>23,100</b>	20,199	<b>111</b>	39
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	(3,079)	(769)	-	-
- Under provision in prior year	411	6	-	14
	<b>(2,668)</b>	(763)	-	14
	<b>20,432</b>	19,436	<b>111</b>	53
<b>Reconciliation of tax expense</b>				
Profit for the year	59,680	54,992	22,191	19,971
Tax expense	20,432	19,436	111	53
Profit excluding tax	<b>80,112</b>	74,428	<b>22,302</b>	20,024
Tax at Malaysian tax rate of 24% (2021: 24%)	19,227	17,863	5,352	4,806
Non-deductible expenses	1,333	1,091	247	256
Non-taxable income	-	-	(5,486)	(5,016)
Tax effect on share of results of associate	(716)	(519)	-	-
Tax effect on share of results of joint venture	(133)	(138)	-	-
	<b>19,711</b>	18,297	<b>113</b>	46
Under/(Over) provision in prior years				
- current tax expense	310	1,133	(2)	(7)
- deferred tax expense	411	6	-	14
	<b>20,432</b>	19,436	<b>111</b>	53

### 26. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share ("EPS") at 31 December 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2022 RM'000	2021 RM'000
Profit attributable to owners of the Company	<b>59,680</b>	54,992

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. EARNINGS PER ORDINARY SHARE *cont'd*

	Group	
	2022 RM'000	2021 RM'000
Weighted average number of ordinary shares at 31 December	356,555	357,002
Basic earnings per ordinary share (sen)	16.7	15.4

Diluted EPS is not presented as there were no potential dilutive ordinary shares for the current financial year.

### 27. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2022</b>			
Second interim 2021 ordinary - single tier	3.7	13,198	11 May 2022
Special 2021 ordinary - single tier	0.5	1,784	11 May 2022
First interim 2022 ordinary - single tier	2.5	8,914	18 January 2023
Total		23,896	
<b>2021</b>			
Second interim 2020 ordinary - single tier	4.5	8,033	21 May 2021
First interim 2021 ordinary - single tier	1.5	5,355	27 October 2021
Total		13,388	

After the end of the reporting period, the following dividend was declared by the Directors on 21 February 2023 and payable on 16 May 2023. These dividends will be recognised in subsequent financial period.

	Sen per share	Total amount RM'000
Second interim 2022 ordinary - single tier	3.7	13,193

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 28. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- |       |                    |   |
|-------|--------------------|---|
| (i)   | ICT Distribution   | Distribution of consumer ICT products to resellers, comprising mainly retailers   |
| (ii)  | Enterprise Systems | Distribution of commercial and enterprise ICT products to resellers, comprising mainly system integrators and corporate dealers |
| (iii) | ICT Services       | Provision of ICT services   |

Other non-reportable segments comprise management services and investment holding. None of these segments met the quantitative thresholds for reporting segments in 2022 and 2021.

Performance is measured based on segment profit before tax, interest and depreciation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's Chief Operating Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In previous financial year, there was a reclassification of product grouping on certain commercial products from ICT Distribution to Enterprise Systems segment. This is to reflect better reporting in line with the business transactions. The comparative figures were restated accordingly.

### Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets is used to measure the return on assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Officer. Hence, no disclosure is made on segment liability.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment, and other intangible assets other than goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 28. OPERATING SEGMENTS *cont'd*

28.1 Segmental information for the Group is presented as follows:

	ICT distribution		Enterprise systems		ICT services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	<b>23,843</b>	30,928	<b>45,901</b>	37,671	<b>5,448</b>	3,409	<b>75,192</b>	72,008
Included in the measure of segment profit are:								
- Depreciation of plant and equipment	<b>(221)</b>	(160)	<b>(233)</b>	(157)	<b>(85)</b>	(49)	<b>(539)</b>	(366)
- Depreciation of right-of-use assets	<b>(85)</b>	(105)	<b>(57)</b>	(44)	<b>(5)</b>	(3)	<b>(147)</b>	(152)
- Finance costs	<b>(1,369)</b>	(644)	<b>(926)</b>	(267)	<b>(58)</b>	(16)	<b>(2,353)</b>	(927)
- Finance income	<b>199</b>	240	<b>1,300</b>	1,478	<b>359</b>	271	<b>1,858</b>	1,989
Segment assets	<b>437,876</b>	461,246	<b>252,801</b>	199,567	<b>11,581</b>	10,949	<b>702,258</b>	671,762
Revenue from external customers	<b>1,230,346</b>	1,505,929	<b>1,365,522</b>	1,011,862	<b>174,746</b>	108,027	<b>2,770,614</b>	2,625,818
Inter-segment revenue	<b>13,054</b>	19,319	<b>10,330</b>	6,950	<b>13,368</b>	11,848	<b>36,752</b>	38,117

## 28.2 Disaggregation of revenue

	ICT distribution		Enterprise systems		ICT services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Major product and service lines</b>								
- Desktop, PC, notebooks, mobility devices and peripherals	<b>1,230,346</b>	1,505,929	-	-	-	-	<b>1,230,346</b>	1,505,929
- Server, storage, software and networking products	-	-	<b>1,365,522</b>	1,011,862	-	-	<b>1,365,522</b>	1,011,862
- Services and maintenance	-	-	-	-	<b>174,746</b>	108,027	<b>174,746</b>	108,027
	<b>1,230,346</b>	1,505,929	<b>1,365,522</b>	1,011,862	<b>174,746</b>	108,027	<b>2,770,614</b>	2,625,818
<b>Timing</b>								
- At a point in time	<b>1,230,346</b>	1,505,929	<b>1,365,522</b>	1,011,862	<b>172,654</b>	105,870	<b>2,768,522</b>	2,623,661
- Over time	-	-	-	-	<b>2,092</b>	2,157	<b>2,092</b>	2,157
	<b>1,230,346</b>	1,505,929	<b>1,365,522</b>	1,011,862	<b>174,746</b>	108,027	<b>2,770,614</b>	2,625,818

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 28. OPERATING SEGMENTS *cont'd*

#### 28.3 Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	Group	
	2022 RM'000	2021 RM'000
Total profit for the reportable segments	75,192	72,008
Other non-reportable segments profit	27,819	23,350
Elimination of inter-segments profit	(22,899)	(20,930)
Consolidated profit before tax	80,112	74,428

	External revenue RM'000	Depreciation of plant and equipment RM'000	Depreciation of right-of- use assets RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non- current assets
							RM'000
<b>Group</b>							
<b>2022</b>							
Total reportable segments	2,807,366	(539)	(147)	(2,353)	1,858	702,258	390
Other non-reportable segments	20,785	(445)	(1,777)	(144)	599	149,244	1,423
Elimination of inter-segment transactions or balances	(57,537)	14	-	1,991	(1,991)	(137,510)	(29)
Consolidated total	2,770,614	(970)	(1,924)	(506)	466	713,992	1,784
<b>2021</b>							
Total reportable segments	2,663,935	(366)	(152)	(927)	1,989	671,762	501
Other non-reportable segments	19,418	(465)	(1,777)	(208)	233	142,874	1,283
Elimination of inter-segment transactions or balances	(57,535)	9	-	918	(918)	(126,366)	(858)
Consolidated total	2,625,818	(822)	(1,929)	(217)	1,304	688,270	926

#### 28.4 Geographical segments

The Group operates predominantly in Malaysia and accordingly information by geographical locations of the Group is not presented.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 28. OPERATING SEGMENTS *cont'd*

### 28.5 Major customers

There was no major customer with revenue equal or more than 10% of the Group's total revenue. (2021: Nil)

## 29. CAPITAL COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
<b>Capital expenditure commitments</b>		
Plant and equipment		
Contracted but not provided for	243	1,071

## 30. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior leadership team of the Group.

The Group has related party relationship with its subsidiaries, significant investors, Directors and key management personnel.

### Transactions with key management personnel

There are no other transactions with key management personnel other than key management personnel compensation as disclosed in Note 24.

### Other related party transactions

	Transaction value			
	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subsidiaries				
Dividend income	-	-	20,700	19,500
Interest income	-	-	470	157
Purchase of equipment	-	-	-	(34)

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 30. RELATED PARTIES *cont'd*

#### Other related party transactions *cont'd*

	Transaction value			
	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Affiliated company				
Purchases	(38)	(741)	-	-
Sales	249	2	-	-
Joint venture				
Dividend income	-	-	1,000	600
Lease expense	(1,920)	(1,920)	-	-
Professional fee	10	10	-	-
Associate				
Dividend income	-	-	1,160	800
Sales	545	435	-	-
Support service	(237)	(97)	-	-
Transactions with a company in which a Director has common directorship Sales	-	10	-	-

The net balances outstanding arising from the above transactions have been disclosed in Note 11 and Note 17.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on negotiated terms.

### 31. FINANCIAL INSTRUMENTS

#### 31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Fair value through profit or loss ("FVTPL")
  - Mandatorily required by MFRS 9;
  - Designated upon initial recognition ("DUIR")
- (b) Amortised cost ("AC"); and
- (c) Fair value through other comprehensive income ("FVOCI")
  - Equity instrument designated upon initial recognition ("EIDUIR")



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	AC RM'000	FVTPL - Mandatorily/ - DUIR RM'000	FVOCI - EIDUIR RM'000
<b>2022</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	363,372	363,372	-	-
Cash and cash equivalents	46,595	46,595	-	-
Club membership	62	-	-	62
Quoted equity in Malaysia - DUIR	169	-	169	-
	<b>410,198</b>	<b>409,967</b>	<b>169</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	25,583	25,583	-	-
Cash and cash equivalents	174	174	-	-
	<b>25,757</b>	<b>25,757</b>	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Borrowings	(13,500)	(13,500)	-	-
Payables and accruals	(264,276)	(264,276)	-	-
Derivative financial liabilities - Mandatorily	(4,544)	-	(4,544)	-
	<b>(282,320)</b>	<b>(277,776)</b>	<b>(4,544)</b>	-
<b>Company</b>				
Payables and accruals	(9,491)	(9,491)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	FVOCI - EIDUIR RM'000
<b>2021</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	345,987	345,987	-	-
Cash and cash equivalents	72,652	72,030	622	-
Club membership	62	-	-	62
	<b>418,701</b>	<b>418,017</b>	<b>622</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	3,317	3,317	-	-
Cash and cash equivalents	15,745	15,745	-	-
	<b>19,062</b>	<b>19,062</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	(283,766)	(283,766)	-	-
Derivative financial liabilities	(1,721)	-	(1,721)	-
	<b>(285,487)</b>	<b>(283,766)</b>	<b>(1,721)</b>	<b>-</b>
<b>Company</b>				
Payables and accruals	(661)	(661)	-	-

### 31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	<b>391</b>	1,029	<b>482</b>	193
Financial assets at fair value through profit or loss:				
- Mandatorily required under MFRS 9	<b>1</b>	7	-	-
- Designated upon initial recognition	<b>(131)</b>	-	-	-
Financial liabilities at amortised cost	<b>2,517</b>	1,675	-	-
Financial liabilities at fair value through profit and loss:				
- Mandatorily required under MFRS 9	<b>(2,823)</b>	(30)	-	-
	<b>(45)</b>	2,681	<b>482</b>	193

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 31.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and cash and cash equivalents. The Company's exposure to credit risk arises principally from loans to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

#### (i) Trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

At the end of the reporting period, there were no significant concentrations of credit risk except for 5 (2021: 5) individual debtors which forms 24% (2021: 32.5%) of the total trade receivables of the Group.

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group uses an allowance matrix to measure expected credit loss ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 90 days will be considered as credit impaired.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 31. FINANCIAL INSTRUMENTS *cont'd*

#### 31.4 Credit risk *cont'd*

##### (i) Trade receivables *cont'd*

*Recognition and measurement of impairment loss cont'd*

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>2022</b>			
Current (not past due)	174,598	-	174,598
1 – 30 days past due	114,441	-	114,411
31 – 60 days past due	45,341	-	45,341
61 – 90 days past due	12,269	-	12,269
	<b>346,649</b>	<b>-</b>	<b>346,649</b>
<b>Credit impaired</b>			
More than 90 days past due	1,045	(750)	295
Individually impaired	13	(13)	-
	<b>347,707</b>	<b>(763)</b>	<b>346,944</b>
<b>2021</b>			
Current (not past due)	172,928	-	172,928
1 – 30 days past due	106,759	-	106,759
31 – 60 days past due	45,830	-	45,830
61 – 90 days past due	8,611	-	8,611
	334,128	-	334,128
<b>Credit impaired</b>			
More than 90 days past due	2,072	(503)	1,569
Individually impaired	188	(188)	-
	336,388	(691)	335,697

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.4 Credit risk *cont'd*

#### (i) Trade receivables *cont'd*

*Recognition and measurement of impairment loss cont'd*

The movements in the allowance for impairment losses of trade receivables during the year are shown below.

	<b>Lifetime ECL</b>	<b>Credit impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Balance at 1 January 2021</b>	388	315	703
Amounts written off	-	(304)	(304)
Net measurement of loss allowance	115	177	292
<b>Balance at 31 December 2021/1 January 2022</b>	503	188	691
Amounts written off	-	(2)	(2)
Net measurement of loss allowance	247	(173)	74
<b>Balance at 31 December 2022</b>	<b>750</b>	<b>13</b>	<b>763</b>

As at 31 December 2022, RM2,000 (2021: RM304,000) of trade receivables were written off but they are still subject to enforcement activity.

#### (ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

#### (iii) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented, and marketing and promotional expenses incurred on behalf and receivable from respective vendors ("marketing claims"). These deposits and marketing claims will be received at the end of respective lease and credit terms. The Group manages the credit risk together according to the lease and vendor agreements.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

#### (iv) Investments and other financial assets

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with licensed banks and financial institutions.

Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.4 Credit risk *cont'd*

#### (v) Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The Company's maximum exposure to financial guarantees amounts to RM13,500,000 (2021: Nil) representing the total outstanding borrowings of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### (vi) Inter-company loans

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

Loans are only provided to subsidiaries which are wholly owned by the Company.

*Recognition and measurement of impairment loss*

Generally, the Company considers loans to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans when they are payable, the Company considers the loans to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan to be credit impaired when:

- The subsidiary is unlikely to repay its loan to the Company in full;
- The subsidiary's loan is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans individually using internal information available.

As at the end of the reporting period, there was no indication that the loans to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of loans to the subsidiaries. Nevertheless, these loans have been overdue for less than a year.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group and the Company monitor and maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### *Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000
<b>2022</b>						
<b>Group</b>						
<i>Non-derivative financial liabilities:</i>						
Banker's acceptance	13,500	3.2 - 3.9%	13,582	13,582	-	-
Lease liabilities	2,227	3 - 4%	2,323	2,000	160	163
Payables and accruals	264,276	-	264,276	264,276	-	-
	<b>280,003</b>		<b>280,181</b>	<b>279,858</b>	<b>160</b>	<b>163</b>
<i>Derivative financial liabilities:</i>						
Forward exchange contracts (gross settled):						
Outflow	4,544	-	145,584	145,584	-	-
Inflow	-	-	(141,040)	(141,040)	-	-
	<b>284,547</b>		<b>284,725</b>	<b>284,402</b>	<b>160</b>	<b>163</b>
<b>Company</b>						
<i>Non-derivative financial liabilities:</i>						
Payables and accruals	9,491	-	9,491	9,491	-	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.5 Liquidity risk *cont'd*

*Maturity analysis cont'd*

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000
<b>2021</b>						
<b>Group</b>						
<i>Non-derivative financial liabilities:</i>						
Lease liabilities	4,024	3 - 5.5%	4,267	2,079	1,999	189
Payables and accruals	283,766	-	283,766	283,766	-	-
	<u>287,790</u>		<u>288,033</u>	<u>285,845</u>	<u>1,999</u>	<u>189</u>
<i>Derivative financial liabilities:</i>						
Forward exchange contracts (gross settled):						
Outflow	1,721	-	162,650	162,650	-	-
Inflow	-	-	(160,929)	(160,929)	-	-
	<u>289,511</u>		<u>289,754</u>	<u>287,566</u>	<u>1,999</u>	<u>189</u>
<b>Company</b>						
<i>Non-derivative financial liabilities:</i>						
Payables and accruals	<u>661</u>	-	<u>661</u>	<u>661</u>	-	-

### 31.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

#### 31.6.1 Foreign currency risk

*Risk management objectives, policies and processes for managing the risk*

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of Group entities. Approximately 26.8% (2021: 25.9%) of the Group's purchases are priced in US Dollar ("USD"). The Group hedges most of these exposures by purchasing forward currency contracts. All the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.6 Market risk *cont'd*

#### 31.6.1 Foreign currency risk *cont'd*

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2022	2021
	RM'000	RM'000
Cash and bank balances	(49)	727
Trade payables	(107,047)	(109,922)
Forward exchange contracts	(4,544)	(1,721)
Net exposure	(111,640)	(110,916)

##### *Currency risk sensitivity analysis*

A 10% (2021: 10%) strengthening of Ringgit Malaysia ("RM") against the following currency at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignored any impact of forecasted sales and purchases.

Group	Profit or loss	
	2022	2021
	RM'000	RM'000
USD	8,485	8,430

A 10% (2021: 10%) weakening of Ringgit Malaysia ("RM") against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remained constant.

#### 31.6.2 Interest rate risk

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments and lease liabilities, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
Financial assets	-	-	25,300	3,000
Lease liabilities	2,227	4,024	-	-
<b>Floating rate instruments</b>				
Financial liabilities	13,500	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 31. FINANCIAL INSTRUMENTS *cont'd*

#### 31.6 Market risk *cont'd*

##### 31.6.2 Interest rate risk *cont'd*

###### *Interest rate risk sensitivity analysis for fixed and variable rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not materially affect profit or loss.

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would not have a material impact on equity and post-tax profit or loss.

The following table shows information about exposure to interest rate risk.

###### **Effective interest rates and repricing analysis**

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

Company	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000
<b>2022</b>			
<b>Financial assets</b>			
Amount due from a subsidiary	3.25	25,300	25,300
<b>2021</b>			
<b>Financial assets</b>			
Amount due from a subsidiary	3.0	3,000	3,000

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.7 Fair value information

The carrying amounts of cash and bank balances, receivables and deposits, payables and accruals, and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The tables below analyse other financial instruments at fair value.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>2022</b>										
<b>Financial assets</b>										
Quoted equity in Malaysia	169	-	-	169	-	-	-	-	169	169
Club membership	-	-	-	-	-	-	62	62	62	62
<b>Financial liabilities</b>										
Forward exchange contracts	-	4,544	-	4,544	-	-	-	-	4,544	4,544
<b>2021</b>										
<b>Financial assets</b>										
Liquid investment	-	622	-	622	-	-	-	-	622	622
Club membership	-	-	-	-	-	-	62	62	62	62
<b>Financial liabilities</b>										
Forward exchange contracts	-	1,721	-	1,721	-	-	-	-	1,721	1,721

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 31. FINANCIAL INSTRUMENTS *cont'd*

### 31.7 Fair value information *cont'd*

#### 31.7.1 Fair value hierarchy

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### *Derivatives*

The fair value of forward exchange contracts is based on their indicative market prices from the issuing banks, if available. If the indicative market price from the issuing bank is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

##### *Liquid investment*

The fair value of the unquoted money market fund is based on the net asset value as at the date of the statement of investment obtained from the fund manager.

##### *Transfer between Level 1 and Level 2 fair values*

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either directions).

##### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

##### *Club membership*

The club membership is stated at cost. There was no evidence of impairment of the carrying amount during the financial year, hence fair value approximates the carrying amount.

## 32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There was no change in the Group's approach to capital management during the financial year.

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 113 to 167 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Lee Marn Fong @ Wu Marn Fong**  
Director

**Soong Jan Hsung**  
Director

Date: 31 March 2023

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Chan Puay Chai**, the Chief Financial Officer primarily responsible for the financial management of VSTECS Berhad, do solemnly and sincerely declare that the financial statements set out on pages 113 to 167 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chan Puay Chai, at Kuala Lumpur in the Federal Territory on 31 March 2023.

**Chan Puay Chai**

Before me:

# INDEPENDENT AUDITORS' REPORT

To the Members of VSTECS Berhad (Registration No. 199501021835 (351038-H))  
(Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of VSTECS Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 113 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Recoverability of trade receivables**

*(Refer to Note 2(c)(ii)(a) – Significant accounting policies and Note 11 – Receivables and deposits of the financial statements)*

#### **The key audit matter**

The Group has significant trade receivables balances which amounted to 48.6% of total assets and the Group applies assumptions to assess the level of impairment loss required to write down the value of trade receivables to their recoverable amounts. The Group's credit risk policy is based on ageing analysis to monitor the credit quality of the trade receivables. Trade receivables aged more than 90 days are monitored individually and as at 31 December 2022, RM0.29 million debts were past due more than 90 days with no allowance for impairment loss was made. Due to the prevalent amount involved whereby impairment loss may impact earnings, this results in recoverability of trade receivables being the key judgemental area that our audit is concentrated on.

## INDEPENDENT AUDITORS' REPORT

To the Members of VSTECS Berhad (Registration No. 199501021835 (351038-H))  
(Incorporated in Malaysia)

cont'd

### Key Audit Matters *cont'd*

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the Group's policy on valuation of trade receivables against the requirements of MFRS 9, *Financial instruments*;
- We evaluated the methodology adopted by the Group in assessing and measuring the impairment loss provision for trade receivables;
- We challenged the Group's predetermined policies in determining impairment loss by reference to historical loss incurred/write-offs, as applicable;
- We tested the accuracy of the ageing of trade receivables by testing age profile of the trade receivables balance to invoices raised;
- We tested the post year end cash received allocated against aged trade receivables at the year end; and
- We considered the adequacy of the Group's disclosure on the degree of estimation involved in arriving at the allowance for impairment loss.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

#### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

# INDEPENDENT AUDITORS' REPORT

To the Members of VSTECS Berhad (Registration No. 199501021835 (351038-H))  
(Incorporated in Malaysia)

cont'd

## Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



## INDEPENDENT AUDITORS' REPORT

To the Members of VSTECS Berhad (Registration No. 199501021835 (351038-H))  
(Incorporated in Malaysia)

cont'd

### Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

**Lee Yeit Yeen**  
Approval Number: 03484/02/2024 J  
Chartered Accountant

Petaling Jaya

Date: 31 March 2023

## ANALYSIS OF SHAREHOLDINGS

As at 20 March 2023

Total number of issued shares	: 360,000,000 ordinary shares
Voting rights	: 1 vote per ordinary share
Treasury shares as at 20 March 2023	: 3,444,600 ordinary shares
Adjusted capital (after netting treasury shares as at 20 March 2023)	: 356,555,400 ordinary shares

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% Shareholdings	No. of Shareholdings	%
1 – 99	30	0.687	493	0.000
100 – 1,000	573	13.133	354,685	0.099
1,001 – 10,000	2,477	56.772	12,469,270	3.497
10,001 – 100,000	1,122	25.716	33,971,052	9.527
100,001 – 17,827,769*	158	3.621	91,579,900	25.684
17,827,770* and above**	3	0.068	218,180,000	61.191
<b>Total</b>	<b>4,363</b>	<b>100.000</b>	<b>356,555,400</b>	<b>100.000</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

### THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shareholdings	%
1.	VSTECS Holdings (Singapore) Limited	144,000,000	40.386
2.	Sengin Sdn. Bhd.	43,380,000	12.166
3.	MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Dasar Technologies Sdn. Bhd. (CTS-DTS0002C)</i>	30,800,000	8.638
4.	CGS-CIMB Nominees (Asing) Sdn. Bhd. <i>Exempt An for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)</i>	11,019,400	3.090
5.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chiew Chieng Siew (MK0111)</i>	7,009,000	1.965
6.	Melco Holdings Inc.	6,000,000	1.682
7.	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)</i>	4,461,000	1.251
8.	Oasis Hope Sdn. Bhd.	3,589,600	1.006
9.	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chiew Chieng Siew</i>	3,080,200	0.863
10.	Lim Kooi Fui	2,274,000	0.637
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board (Eastspringesg)</i>	2,087,700	0.585
12.	Lim Kooi Fui	1,938,700	0.543

## ANALYSIS OF SHAREHOLDINGS

As at 20 March 2023

cont'd

### THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name of Shareholders	No. of Shareholdings	%
13.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chiew Chieng Siew (E-PDG)</i>	1,880,800	0.527
14.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Gan Tee Jin</i>	1,800,000	0.504
15.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledge Securities Account for Chong Khong Shoong (E-IMO/JSI)</i>	1,400,000	0.392
16.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chiew Chieng Siew (Kuching-CL)</i>	1,232,100	0.345
17.	Tan Tiang Choon	1,222,800	0.342
18.	Lim Yin Sew	1,173,900	0.329
19.	Chong Chiew Tshung	1,053,000	0.295
20.	Migan Sdn. Bhd.	1,021,500	0.286
21.	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Commerce Trustee Berhad for Philip Value Growth Fund</i>	925,200	0.259
22.	CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Islamic Trustee Berhad for PMB Shariah Equity Fund</i>	819,200	0.229
23.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Jincan Sdn. Bhd.</i>	801,000	0.224
24.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Kejutan Holdings Sdn. Bhd. (E-IMO)</i>	800,000	0.224
25.	Federlite Holdings Sdn. Bhd.	732,400	0.205
26.	Foo Lek Choong	713,400	0.200
27.	Koo Git Loo @ Chiu Git Loo	665,000	0.186
28.	Tan Yong Kai	655,000	0.183
29.	Gan Kho @ Gan Hong Leong	654,600	0.183
30.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for General Technology Sdn. Bhd. (PB)</i>	607,000	0.170
		<b>277,796,500</b>	<b>77.911</b>

# ANALYSIS OF SHAREHOLDINGS

As at 20 March 2023

cont'd

## SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2023

Name	Direct Interest		Indirect Interest	
	No of Shares	%	No. of Shares	%
VSTECS Holdings (Singapore) Limited	155,019,400	43.477	-	-
VSTECS Holdings Limited			155,019,400 <sup>(1)</sup>	43.477
Sengin Sdn. Bhd.	43,380,000	12.166	-	-
Dasar Technologies Sdn. Bhd.	30,800,000	8.638	-	-
Lee Marn Fong @ Wu Marn Fong			44,192,400 <sup>(2)</sup>	12.394
Foo Lek Choong	713,400	0.200	43,380,000 <sup>(3)</sup>	12.166
Foo Teen Wyne	99,000	0.028	43,380,000 <sup>(4)</sup>	12.166

## DIRECTORS' SHAREHOLDINGS AS AT 20 MARCH 2023

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Lee Marn Fong @ Wu Marn Fong	-	-	44,192,400 <sup>(2)</sup>	12.394
Soong Jan Hsung	450,000	0.126	-	-
Wong Heng Chong	450,000	0.126	-	-
Dato' Khoo Sin Aik	-	-	10,000 <sup>(5)</sup>	-
Abdul Aziz bin Zainal Abidin	-	-	-	-
Ong Wei Hiam	-	-	-	-
Anne Rodrigues Nee Koh Lan Heong	-	-	-	-

### Notes:

<sup>(1)</sup> VSTECS Holdings (Singapore) Limited is a wholly-owned subsidiary of VSTECS Holdings Limited.

<sup>(2)</sup> By virtue of her substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and the shareholdings of her spouse and children.

<sup>(3)</sup> By virtue of his substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

<sup>(4)</sup> By virtue of her substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

<sup>(5)</sup> By virtue of the shareholdings of his spouse.

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Seventh (“27<sup>th</sup>”) Annual General Meeting (“AGM”) of **VSTECs BERHAD** (“VSTECs” or “the Company”) will be held on a **virtual basis** vide Securities Services e-Portal (“SSEp”) at <https://www.sshsb.net.my/> on Tuesday, 16 May 2023 at 10:30 a.m., or at any adjournment thereof, for the following purposes:-

<b>Day, Date and Time</b>	<b>Tuesday, 16 May 2023 at 10:30 a.m.</b>
<b>Meeting Platform</b>	SSEp at <a href="https://www.sshsb.net.my/">https://www.sshsb.net.my/</a>
<b>Meeting Title</b>	<b>VSTECs BERHAD’S 27<sup>TH</sup> AGM</b>
<b>Broadcast Venue</b>	Training Room, VSTECs Berhad, Lot 3, Jalan Teknologi 3/5, Taman Sains Selangor, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
	Note: The broadcast venue is mainly for broadcasting of AGM only. It is NOT a physical meeting venue for attendance in person by members and/or proxy.
<b>Mode of Communication</b>	<p><b>Prior to the AGM:-</b></p> <p>(1) Submit questions to the Board prior to the AGM by writing/ emailing to <a href="mailto:secretariat@vstecs.com.my">secretariat@vstecs.com.my</a>, <b>no later than 10:30 a.m. on Sunday, 14 May 2023</b>.</p> <p><b>During the AGM:-</b></p> <p><b>Primary Mode of Communication</b></p> <p>(2) Pose questions to the Board vide real-time submission of typed texts at <a href="https://sshb.net.my/">https://sshb.net.my/</a> during the live streaming of the AGM.</p> <p><b>Alternative Mode of Communication</b></p> <p>(3) In the event of any technical glitch affecting the Primary Mode of Communication, Members and/or proxies may email their questions to <a href="mailto:eservices@sshb.com.my">eservices@sshb.com.my</a> during the Meeting. Dedicated personnel will be monitoring this email address and forward your enquiries to the Chairman of the AGM accordingly.</p>

## AGENDA

### As Ordinary Business

- To receive the Audited Financial Statements for the financial year ended 31 December 2022 **(Refer to Note (B))** together with the Reports of the Directors and the Auditors thereon.
- To re-elect the following Directors who retire in accordance with Clause 21.6 of the Constitution of the Company:-
  - Mr. Soong Jan Hsung; and **(Resolution 1)**
  - Encik Abdul Aziz Bin Zainal Abidin. **(Resolution 2)**
- To re-elect Madam Anne Rodrigues Nee Koh Lan Heong, a Director who retires in accordance with Clause 21.10 of the Constitution of the Company. **(Resolution 3)**
- To approve the payment of Directors’ fees of RM421,133 (Ringgit Malaysia: Four Hundred Twenty One Thousand and One Hundred Thirty Three) only for the financial year ended 31 December 2022. **(Resolution 4)**
- To re-appoint KPMG PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **(Resolution 5)**

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

## As Special Business

To consider and, if thought fit, with or without any modification, to pass the following resolutions:-

6. **ORDINARY RESOLUTION NO. 1** *(Resolution 6)*  
**- PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016**

“**THAT** the benefits payable to the Directors up to an amount of RM115,000/- (Ringgit Malaysia: One Hundred and Fifteen Thousand) only for the period from 1 June 2023 to the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act 2016 be and is hereby approved for payment.”

7. **ORDINARY RESOLUTION NO. 2** *(Resolution 7)*  
**- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016**

“**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016 (“**the Act**”), Main Market Listing Requirements (“**Main LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Constitution of the Company, subject always to the approvals from Bursa Securities and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

**AND THAT** the Directors be and are so empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

**AND THAT** pursuant to Section 85 of the Act to read together with Clause 16.5 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to the Act; and

**AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

8. **ORDINARY RESOLUTION NO. 3** *(Resolution 8)*  
**- PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES (“PROPOSED RENEWAL OF SHARE BUY-BACK”)**

“**THAT** subject to Section 127 of the Companies Act 2016 (“**the Act**”), the Constitution of the Company, Main Market Listing Requirements (“**Main LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:-

- (i) the aggregate number of ordinary shares to be purchased (“**Purchased Shares**”) and/or held by the Company does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

## NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase.

**THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury and/or resell on the market of Bursa Securities; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder; and/or
- (iv) distribute the shares as dividend to shareholders, such dividend is to be known as "share dividends"; and/or
- (v) resell the shares or any of the shares in accordance with the relevant rules of the stock exchange; and/or
- (vi) transfer the shares, or any of the shares as purchase consideration; and/or
- (vii) cancel the shares or any of the shares; and/or
- (viii) sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

in any other manner as prescribed by the Act, the applicable laws, regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force and that the authority to deal with the Purchased Shares shall continue to be valid until all the Purchased Shares have been dealt with by the Directors.

**THAT** such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until: -

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

**AND THAT** the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as they may deem fit and expedient in the best interest of the Company."

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

## 9. ORDINARY RESOLUTION NO. 4

*(Resolution 9)*

### - PROPOSED NEW SHAREHOLDERS' MANDATE AND PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE AND PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE")

"**THAT** subject to the provisions of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in the Circular/Statement to Shareholders dated 17 April 2023 which are necessary for the day-to-day operations of the Company and/or its subsidiaries ("**Group**"), to be entered by the Group in the ordinary course of business and are on terms which are not more favourable to the parties with which such recurrent transactions to be entered into than those generally available to the public and are not detrimental to the minority shareholders of the Company.

**THAT** such approval shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which the Proposed New Shareholders' Mandate and Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed New Shareholders' Mandate and Proposed Renewal of Existing Shareholders' Mandate."

10. To transact any other business of which due notice shall have been given.

## By Order of the Board

*(duly signed)*

**CHUA SIEW CHUAN** (MAICSA 0777689) (SSM PC NO. 201908002648)

**CHENG CHIA PING** (MAICSA 1032514) (SSM PC NO. 202008000730)

Company Secretaries

Kuala Lumpur

Dated: 17 April 2023

## Notes:-

### (A) Information for Shareholders/ Proxies

1. As a precautionary measure amid the outbreak of Coronavirus Disease ("**Covid-19**") pandemic, VSTECS shall conduct the 27<sup>th</sup> AGM as a virtual general meeting via the Remote Participation and Voting ("**RPV**") facilities provided by SS E Solutions Sdn. Bhd. via its SS eP at <https://www.sshsb.net.my/>.

The Broadcast Venue is strictly for the purpose of complying with Clause 18.4 of the Company's Constitution and Section 327(2) of the Companies Act 2016 ("**the Act**"), which requires the Chairman of the meeting to be present at the main venue of the Meeting.



# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

Shareholders **WILL NOT BE ALLOWED** to attend the 27<sup>th</sup> AGM in person at the Broadcast Venue on the day of the Meeting.

By utilising the RPV facilities at SSeP (prior registration as a User is required), shareholders are to remotely attend, participate, speak (by way of posing questions to the Board via real time submission of typed texts) and cast their votes at the AGM. **Please refer to the Administrative Guide for procedures to utilise the RPV facilities.**

2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 9 May 2023 ("General Meeting Record of Depositors") shall be eligible to attend the AGM via RPV facilities.
3. A member (including authorised nominee) entitled to attend and vote at the Meeting via RPV facilities, may appoint more than one (1) proxy to attend and vote at the AGM via RPV facilities, to the extent permitted by the Act, Securities Industry (Central Depositories) Act, 1991, Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and the Rules of Bursa Malaysia Depository Sdn. Bhd. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. A proxy may but does not need to be a member of the Company and notwithstanding this, a member entitled to attend and vote at the AGM via RPV facilities is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the AGM without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM via RPV facilities shall have the same rights as the member to attend, participate, speak and vote at the AGM.

As guided by the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers revised by the Securities Commission Malaysia on 7 April 2022, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all members, proxies and/or corporate representatives shall communicate with the main venue of the 27<sup>th</sup> AGM via real time submission of typed texts through a text box within SSeP's platform during the live streaming of the 27<sup>th</sup> AGM as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, members, proxies or corporate representatives may email their questions to [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my) during the 27<sup>th</sup> AGM. The questions and/or remarks submitted by the members, proxies and/or corporate representatives will be broadcasted and responded by the Chairman, Board of Directors and/or Management during the Meeting.

5. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
6. Where a member is an exempt authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies of which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the AGM via RPV facilities must request his/her proxy to register himself/herself for RPV facilities at SSeP at <https://www.sshsb.net.my/>. Please refer to the Administrative Guide for procedures to utilise the RPV facilities.

8. **Publication of Notice of 27<sup>th</sup> AGM and Proxy Form on corporate website**

Pursuant to Section 320(2) of the Act, a copy of this Notice together with the Proxy Form are available at the corporate website of VSTECs Berhad at [https://vstecs.listedcompany.com/ar\\_2022.html](https://vstecs.listedcompany.com/ar_2022.html).

9. **Submission of Proxy Form in either hard copy form or electronic form**

The appointment of proxy(ies) may now be made either in hard copy form or by electronic form, and, shall be deposited with the Company's Poll Administrator, namely, SS E Solutions Sdn. Bhd., either at the designated office as stated below or vide SSeP, not less than forty-eight (48) hours before the time appointed for holding the AGM or adjournment thereof (i.e. **on or before Sunday, 14 May 2023 at 10:30 a.m.**):-

Mode of Submission	Designated Address
Hard copy	SS E Solutions Sdn. Bhd. Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Fax: 03-2094 9940 and/or 03-2095 0292 Email: <a href="mailto:eservices@sshsb.com.my">eservices@sshsb.com.my</a>
Electronic appointment	SSeP Weblink: <a href="https://www.sshsb.net.my/">https://www.sshsb.net.my/</a>

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

**(B) Audited Financial Statements for the financial year ended 31 December 2022**

*This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval for the audited financial statements from the shareholders. Therefore, this Agenda item is not put forward for voting.*

**(C) Re-election of Directors**

*In determining the eligibility of the Directors to stand for re-election at the forthcoming 27<sup>th</sup> AGM, the Nominating Committee ("NC"), guided by the Directors' Assessment Policy has considered the criteria as stated in the said Policy as well as the requirements of Paragraph 2.20A of the Main LR of Bursa Securities and recommended Mr. Soong Jan Hsung and Encik Abdul Aziz Bin Zainal Abidin for re-election as Directors pursuant to Clause 21.6 of the Constitution of the Company, and Madam Anne Rodrigues Nee Koh Lan Heong for re-election as Director pursuant to Clause 21.10 of the Constitution of the Company ("**Retiring Directors**"). The Board has conducted a separate fit and proper assessment and being satisfied with the fit and proper eligibility of the Retiring Directors, the Board would like to recommend the same be tabled to the shareholders for approval at the forthcoming 27<sup>th</sup> AGM of the Company under Resolutions 1, 2 and 3, respectively. The evaluation criteria adopted as well as the process of assessment by the Board have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2022 of the Company.*

*All the Retiring Directors have consented to their re-election, and abstained from deliberation and voting in relation to their individual re-election at the NC and Board of Directors' Meetings, respectively.*

**(D) Payment of Directors' Fees**

*The Proposed Directors' Fees for the financial year ended 31 December 2022 was RM421,133 (2021: RM404,035).*

*The Resolution 4, if approved, will authorise the payment of Directors' Fees pursuant to Clause 21.4 of the Constitution of the Company.*

**(E) Re-appointment of Auditors**

*The Audit Committee ("**AC**") have assessed the suitability, objectivity and independence of the External Auditors and recommended the re-appointment of KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2023. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled to the shareholders for approval at the forthcoming 27<sup>th</sup> AGM of the Company under Resolution 5. The evaluation criteria adopted as well as the process of assessment by the AC and Board, respectively, have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2022 of the Company.*

**Explanatory Notes to Special Business:-**

**(F) Payment of Benefits Payable**

*Under proposed Resolution 6, the benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company. The benefits concern comprised the meeting allowances, insurance premium and other benefits payable in favour of the Directors.*

**(G) Authority to Issue Shares pursuant to the Act**

*The Company wishes to renew the mandate on the authority to issue shares pursuant to the Act at the 27<sup>th</sup> AGM of the Company under proposed Resolution 7 (hereinafter referred to as the "**General Mandate**"). This authority will, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company.*

*The Company had been granted a general mandate by its shareholders at the Twenty-Sixth AGM of the Company held on 17 May 2022 (hereinafter referred to as the "**Previous Mandate**").*

*The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.*

*The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/ or acquisitions.*

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

cont'd

**(H) Proposed Renewal of Share Buy-Back**

*The proposed Resolution 8, if passed, will renew the authority given to the Company to purchase its own shares of up to ten per centum (10%) of the total number of issued shares of the Company at any time within the timeframe stipulated in the Main LR of Bursa Securities (hereinafter referred to as the "**Share Buy-Back**"). This authority will, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company.*

*Further details are set out in the Part A of the Circular/Statement to Shareholders dated 17 April 2023 circulated together with this Annual Report.*

**(I) Proposed New Shareholders' Mandate and Proposed Renewal of Existing Shareholders' Mandate**

*The proposed Resolution 9, if passed, will renew the authority given to the Company and/or its subsidiaries a mandate to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties in compliance with the Main LR of Bursa Securities. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.*

*Further details are set out in the Part B of the Circular/Statement to Shareholders dated 17 April 2023 circulated together with this Annual Report.*

## ADMINISTRATIVE GUIDE



### SECURITIES SERVICES e-PORTAL

#### WHAT IS Securities Services e-Portal?

**Securities Services e-Portal** is an online platform that will allow both individual shareholders and body corporate shareholders through their appointed representatives, to -

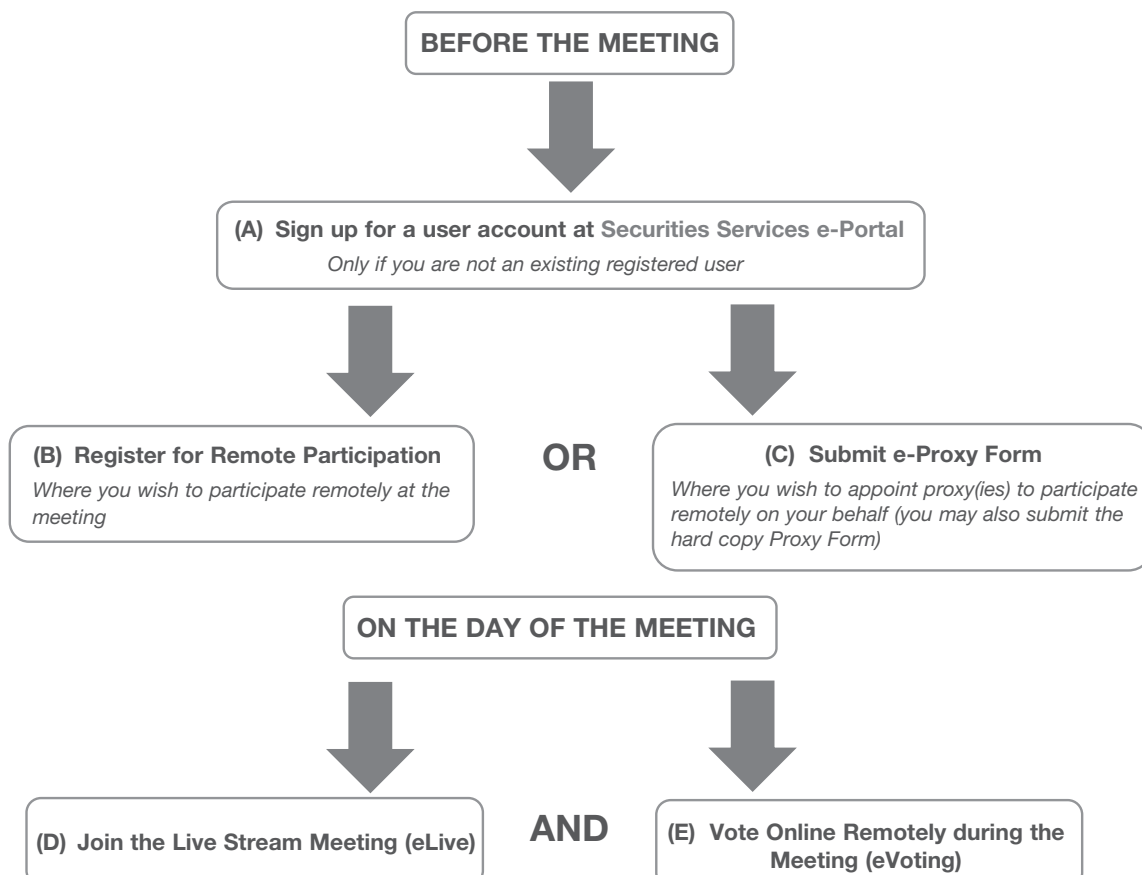
- Submit proxy form electronically – paperless submission
- Register for remote participation and voting at meetings
- Participate in meetings remotely via live streaming
- Vote online remotely on resolution(s) tabled at meetings (referred to as “**e-Services**”)

The usage of the e-Portal is dependent on the engagement of the relevant e-Services by VSTECS Berhad and is by no means a guarantee of availability of use, unless we are so engaged to provide. **All users are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the e-Portal.**

**Please note that the e-Portal is best viewed on the latest versions of Chrome, Firefox, Edge and Safari.**

#### REQUIRE ASSISTANCE?

Please contact Mr. Wong Piang Yoong (DID: +603 2084 9168) or Ms. Lee Pei Yeng (DID: +603 2084 9169) or Ms. Rachel Ou (DID: +603 2084 9161) at or our general line (DID: +603 2084 9000) to request for e-Services Assistance during our office hours on Monday to Friday from 8:30 a.m. to 12:15 p.m. and from 1:15 p.m. to 5:30 p.m. Alternatively, you may email us at [eservices@sshshb.com.my](mailto:eservices@sshshb.com.my).



# ADMINISTRATIVE GUIDE

cont'd

## BEFORE THE MEETING

### (A) Sign up for a user account at Securities Services e-Portal

<p>Step 1 Visit <a href="https://sshsb.net.my/">https://sshsb.net.my/</a></p> <p>Step 2 Sign up for a user account</p> <p>Step 3 Wait for our notification email that will be sent within one (1) working day</p> <p>Step 4 Verify your user account within seven (7) days of the notification email and log in</p>	<ul style="list-style-type: none"> <li>We require 1 working day to process all user sign-ups. If you do not have a user account with the e-Portal, you will need to sign up for a user account by the deadlines stipulated below.</li> <li>Your registered email address is your User ID.</li> </ul>
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**To register for the meeting under (B) below, please sign up for a user account by 14 MAY 2023**

**To submit e-Proxy Form under (C) below, please sign up for a user account by 11 MAY 2023, failing which you may only be able to submit the hard copy proxy form.**

**This is a ONE-TIME sign up only. If you already have a user account, please proceed to either (B) or (C) below.**

### (B) Register for Remote Participation at the Meeting

- Log in to <https://sshsb.net.my/> with your registered email and password
- Look for **VSTECs Berhad** under Company Name and **27th AGM on 16 May 2023 at 10:30 a.m. – Registration for Remote Participation** under Corporate Exercise/Event and click “>” to register for remote participation at the meeting.

Step 1 Check if you are attending as –

- Individual shareholder
- Corporate or authorised representative of a body corporate

*For body corporates, the appointed corporate/authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted at SS E Solutions Sdn. Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the registration closing date and time above.*

Step 2 Submit your registration.

- All shareholders must register for remote participation at the meeting and are highly encouraged to register as early as possible and before the eLive access date and time [see (D) below] in order to ensure timely access to the meeting. Access shall be granted only to eligible shareholders in accordance with the General Meeting Record of Depositors as at 9 May 2023.
- A copy of your e-Registration for remote participation can be accessed via **My Records** (refer to the left navigation panel).
- Your registration will apply to **all the CDS account(s)** of each individual shareholder/body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.
- As the meeting will be conducted on a virtual basis, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.

# ADMINISTRATIVE GUIDE

cont'd

<b>(C) Submit e-Proxy Form</b>	
<b>Meeting Date and Time</b>	<b>Proxy Form Submission Closing Date and Time</b>
Tuesday, 16 May 2023 at 10:30 a.m.	Sunday, 14 May 2023 at 10:30 a.m.
<ul style="list-style-type: none"> <li>➤ Log in to <a href="https://sshsb.net.my/">https://sshsb.net.my/</a> with your registered email and password.</li> <li>➤ Look for <b>VSTECS Berhad</b> under Company Name and <b>27th AGM on 16 May 2023 at 10:30 a.m. – Submission of Proxy Form</b> under Corporate Exercise/Event and click "&gt;" to submit your proxy forms online for the meeting by the submission closing date and time above.</li> </ul>	
<p>Step 1 Check if you are submitting the proxy form as –</p> <ul style="list-style-type: none"> <li>■ Individual shareholder</li> <li>■ Corporate or authorised representative of a body corporate</li> </ul> <p><i>For body corporates, the appointed corporate/authorised representative is to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The <u>original</u> evidence of authority and translation thereof, if required, have to be submitted at SS E Solutions Sdn. Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the proxy form submission closing date and time above.</i></p> <p>Step 2 Enter your CDS account number or the body corporate's CDS account number and corresponding number of securities. Then enter the information of your proxy(ies) and the securities to be represented by your proxy(ies). <b>You may appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.</b></p> <p>Step 3 Proceed to indicate how your votes are to be casted against each resolution.</p> <p>Step 4 Review and confirm your proxy form details before submission.</p> <ul style="list-style-type: none"> <li>• A copy of your submitted e-Proxy Form can be accessed via <b>My Records</b> (refer to the left navigation panel).</li> <li>• You need to submit your e-Proxy Form for <b>every CDS account(s)</b> you have or represent.</li> </ul>	
<b>PROXIES</b>	
<p><b>All appointed proxies need not register for remote participation under (B) above but if they are not registered Users of the e-Portal, they will need to register as Users of the e-Portal under (A) above by 11 MAY 2023. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY.</b> Upon processing the proxy forms, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, <u>provided the proxy must be a registered user of the e-Portal</u>, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a virtual basis.</p>	

# ADMINISTRATIVE GUIDE

cont'd

## ON THE DAY OF THE MEETING

Log in to <https://sshsb.net.my/> with your registered email and password

### (D) Join the Live Stream Meeting (eLive)

Meeting Date and Time	eLive Access Date and Time
Tuesday, 16 May 2023 at 10:30 a.m.	Tuesday, 16 May 2023 at 10:00 a.m.
<p>➤ Look for <b>VSTECS Berhad</b> under Company Name and <b>27th AGM on 16 May 2023 at 10:30 a.m. – Live Stream Meeting</b> under Corporate Exercise/Event and click “&gt;” to join the meeting.</p> <ul style="list-style-type: none"> <li>The access to the live stream meeting will open on the abovementioned date and time.</li> <li>If you have any questions to raise, you may use the text box to transmit your question. The Chairman/Board/Management/relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.</li> </ul>	
(E) Vote Online Remotely during the Meeting (eVoting)	
Meeting Date and Time	eVoting Access Date and Time
Tuesday, 16 May 2023 at 10:30 a.m.	Tuesday, 16 May 2023 at 10:30 a.m.
<p>➤ If you are already accessing the Live Stream Meeting, click <b>Proceed to Vote</b> under the live stream player. OR</p> <p>➤ If are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for <b>VSTECS Berhad</b> under Company Name and <b>27th AGM on 16 May 2023 at 10:30 a.m. – Remote Voting</b> under Corporate Exercise/Event and click “&gt;” to remotely cast and submit the votes online for the resolutions tabled at the meeting.</p> <p>Step 1 Cast your votes by clicking on the radio buttons against each resolution. Step 2 Review your casted votes and confirm and submit the votes.</p> <ul style="list-style-type: none"> <li>The access to eVoting will open on the abovementioned date and time.</li> <li>Your votes casted will apply throughout <u>all</u> the CDS accounts you represent as an individual shareholder, corporate/authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder’s indicated votes in the proxy form.</li> <li>The access to eVoting will close as directed by the Chairman of the meeting.</li> <li>A copy of your submitted eVoting can be accessed via <b>My Records</b> (refer to the left navigation panel).</li> </ul>	



# PROXY FORM

## VSTECS BERHAD

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

<b>No. of Shares Held</b>	<b>CDS Account No.</b>
<b>Contact Number</b>	<b>Email Address</b>

I/We \_\_\_\_\_  
*(name of shareholder as per NRIC, in capital letters)*

NRIC No./ID No./Company No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old)  
of \_\_\_\_\_  
*(full address)*

being a Member/Members of VSTECS Berhad, hereby appoint \_\_\_\_\_  
*(name of proxy as per NRIC, in capital letters)*

NRIC No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old) of \_\_\_\_\_  
\_\_\_\_\_ Contact No. \_\_\_\_\_  
*(full address)*

and/or failing him/her \_\_\_\_\_  
*(name of proxy as per NRIC, in capital letters)*

NRIC No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old) of \_\_\_\_\_  
\_\_\_\_\_ Contact No. \_\_\_\_\_  
*(full address)*

or failing him/her, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Twenty-Seventh ("27<sup>th</sup>") Annual General Meeting ("**AGM**") of the Company to be held on a **virtual basis** at the Broadcast Venue at Training Room, VSTECS Berhad, Lot 3, Jalan Teknologi 3/5, Taman Sains Selangor, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, vide Securities Services e-Portal ("**SSeP**") at <https://www.sshsb.net.my/> on Tuesday, 16 May 2023 at 10:30 a.m., or at any adjournment thereof.

The proportion of \*my/our holdings to be represented by \*my/our proxy(ies) are as follows:-

First Proxy	_____	%
Second Proxy	_____	%
	_____	100%

In the case of a vote by a show of hands, my proxy \_\_\_\_\_ (one only) shall vote on \*my/our behalf.

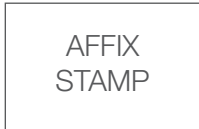
*Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.*

<b>Resolutions</b>	<b>For</b>	<b>Against</b>
Resolution 1 Re-election of Mr. Soong Jan Hsung as Director pursuant to Clause 21.6 of the Company's Constitution		
Resolution 2 Re-election of Encik Abdul Aziz Bin Zainal Abidin as Director pursuant to Clause 21.6 of the Company's Constitution		
Resolution 3 Re-election of Madam Anne Rodrigues Nee Koh Lan Heong as Director pursuant to Clause 21.10 of the Company's Constitution		
Resolution 4 Payment of Directors' Fees		
Resolution 5 Re-appointment of KPMG PLT as Auditors and to fix their remuneration		
Resolution 6 Ordinary Resolution No. 1 – Payment of Benefits Payable to the Directors		
Resolution 7 Ordinary Resolution No. 2 – Authority to Issue Shares		
Resolution 8 Ordinary Resolution No. 3 – Proposed Renewal of Share Buy-Back		
Resolution 9 Ordinary Resolution No. 4 – Proposed New Shareholders' Mandate and Proposed Renewal of Existing Shareholders' Mandate		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2023.

\_\_\_\_\_  
Signature of Member/Common Seal





The Poll Administrator  
for the 27<sup>th</sup> Annual General Meeting of  
VSTECS Berhad

**SS E Solutions Sdn. Bhd.**  
[Registration No. 202001010461 (1366781-T)]

Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur,  
Wilayah Persekutuan

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**(A) Information for Shareholders/Proxies**

- As a precautionary measure amid the outbreak of Coronavirus Disease (“**Covid-19**”) pandemic, VSTECS shall conduct the 27<sup>th</sup> AGM as a virtual general meeting via the Remote Participation and Voting (“**RPV**”) facilities provided by SS E Solutions Sdn. Bhd. via its SSeP at <https://www.sshsb.net.my/>.

The Broadcast Venue is strictly for the purpose of complying with Clause 18.4 of the Company’s Constitution and Section 327(2) of the Companies Act 2016 (“**the Act**”), which requires the Chairman of the meeting to be present at the main venue of the Meeting.

Shareholders **WILL NOT BE ALLOWED** to attend the 27<sup>th</sup> AGM in person at the Broadcast Venue on the day of the Meeting.

By utilising the RPV facilities at SSeP (prior registration as a User is required), shareholders are to remotely attend, participate, speak (by way of posing questions to the Board via real time submission of typed texts) and cast their votes at the AGM. **Please refer to the Administrative Guide for procedures to utilise the RPV facilities.**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on **9 May 2023** (“General Meeting Record of Depositors”) shall be eligible to attend the AGM via RPV facilities.
- A member (including authorised nominee) entitled to attend and vote at the Meeting via RPV facilities, may appoint more than one (1) proxy to attend and vote at the AGM via RPV facilities, to the extent permitted by the Act, Securities Industry (Central Depositories) Act, 1991, Main Market Listing Requirements (“**Main LR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), and the Rules of Bursa Malaysia Depository Sdn. Bhd. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but does not need to be a member of the Company and notwithstanding this, a member entitled to attend and vote at the AGM via RPV facilities is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the AGM without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM via RPV facilities shall have the same rights as the member to attend, participate, speak and vote at the AGM.

As guided by the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers revised by the Securities Commission Malaysia on 7 April 2022, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all members, proxies and/or corporate representatives shall communicate with the main venue of the 27<sup>th</sup> AGM via real time submission of typed texts through a text box within SSeP’s platform during the live streaming of the 27<sup>th</sup> AGM as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, members, proxies or corporate representatives may email their questions to [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my) during the 27<sup>th</sup> AGM. The questions and/or remarks submitted by the members, proxies and/or corporate representatives will be broadcasted and responded by the Chairman, Board of Directors and/or Management during the Meeting.

- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- Where a member is an exempt authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies of which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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- A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the AGM via RPV facilities must request his/her proxy to register himself/herself for RPV facilities at SSeP at <https://www.sshsb.net.my/>. Please refer to the Administrative Guide for procedures to utilise the RPV facilities.

**8. Publication of Notice of 27<sup>th</sup> AGM and Proxy Form on corporate website**

Pursuant to Section 320(2) of the Act, a copy of this Notice together with the Proxy Form are available at the corporate website of VSTECS Berhad at [https://vsteecs.listedcompany.com/ar\\_2022.html](https://vsteecs.listedcompany.com/ar_2022.html).

**9. Submission of Proxy Form in either hard copy form or electronic form**

The appointment of proxy(ies) may now be made either in hard copy form or by electronic form, and, shall be deposited with the Company’s Poll Administrator, namely, SS E Solutions Sdn. Bhd., either at the designated office as stated below or vide SSeP, not less than forty-eight (48) hours before the time appointed for holding the AGM or adjournment thereof (i.e. **on or before Sunday, 14 May 2023 at 10:30 a.m.**):-

Mode of Submission	Designated Address
Hard copy	SS E Solutions Sdn. Bhd. Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Fax: 03-2094 9940 and/or 03-2095 0292 Email: <a href="mailto:eservices@sshsb.com.my">eservices@sshsb.com.my</a>
Electronic appointment	SSeP Weblink: <a href="https://www.sshsb.net.my/">https://www.sshsb.net.my/</a>

**(B) Audited Financial Statements for the financial year ended 31 December 2022**

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval for the audited financial statements from the shareholders. Therefore, this Agenda item is not put forward for voting.



[www.vstecs.com.my](http://www.vstecs.com.my)

**VSTECs BERHAD**  
[Registration No: 199501021835 (351038-H)]

Lot 3, Jalan Teknologi 3/5,  
Taman Sains Selangor,  
Kota Damansara, 47810 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia  
Tel : +603 6286 8222  
E-mail : [secretariat@vstecs.com.my](mailto:secretariat@vstecs.com.my)