

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 Directors*

DATO' KHOO SIN AIK
(Redesignated on 17 May 2023)

WONG HENG CHONG
(Retired on 16 May 2023)

*Non-Independent
Non-Executive Director*

ONG WEI HIAM

*Independent Non-Executive
Directors*

ABDUL AZIZ BIN ZAINAL ABIDIN

**ANNE RODRIGUES NEE
KOH LAN HEONG**

JOSEPHINE PHAN SU HAN
(Appointed on 15 June 2023)

AUDIT COMMITTEE

Abdul Aziz Bin Zainal Abidin – *Chairman*
Ong Wei Hiam
Anne Rodrigues Nee Koh Lan Heong
(Appointed on 21 February 2023)
Wong Heng Chong
(Ceased on 16 May 2023)

NOMINATING COMMITTEE

Dato' Khoo Sin Aik – *Chairman*
(Redesignated on 17 May 2023)
Ong Wei Hiam
Josephine Phan Su Han
(Appointed on 15 June 2023)
Wong Heng Chong
(Ceased on 16 May 2023)

REMUNERATION COMMITTEE

Dato' Khoo Sin Aik – *Chairman*
Abdul Aziz Bin Zainal Abidin
Ong Wei Hiam

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 : info@sshsb.com.my

SHARE REGISTRAR

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

AUDITORS

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

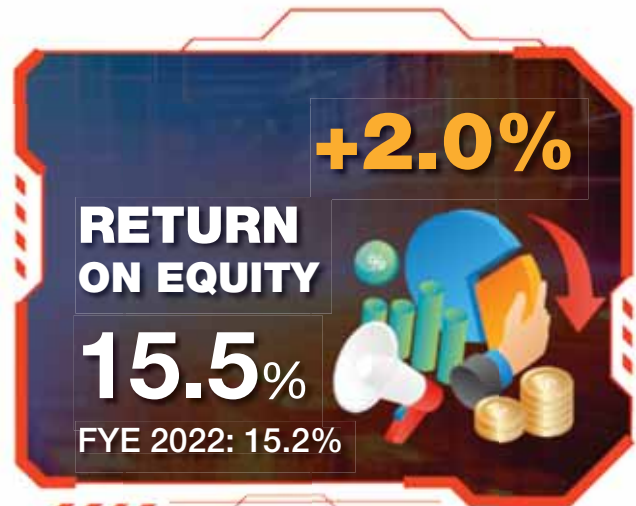
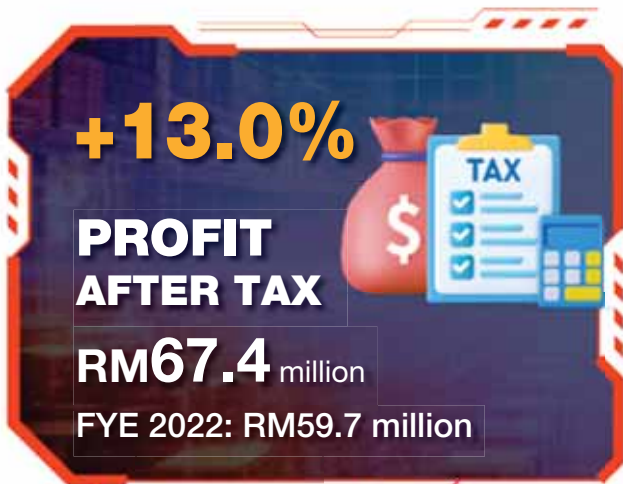
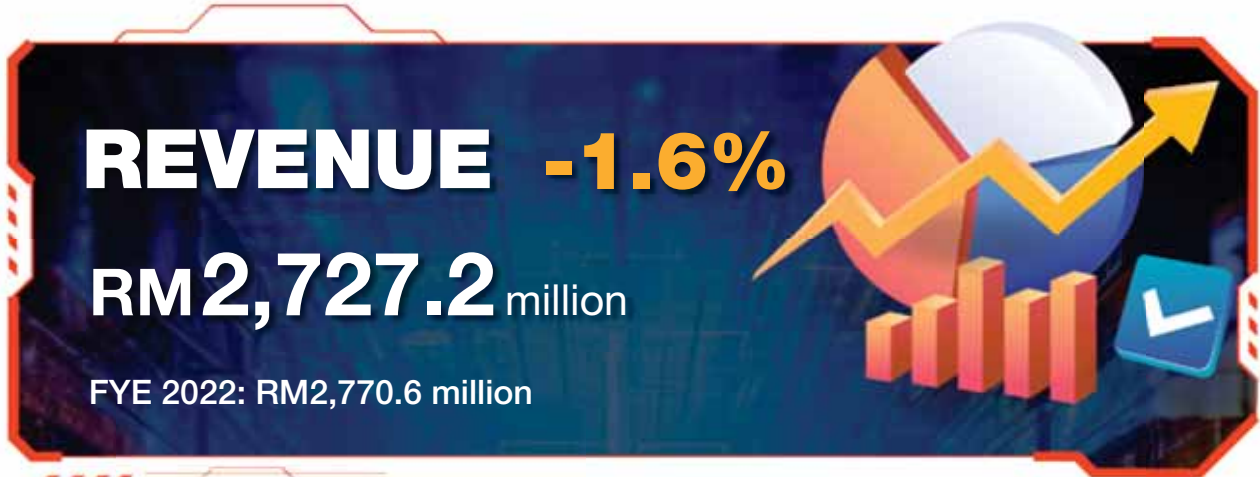
PRINCIPAL BANKERS

CIMB Bank Berhad
Citibank Berhad
Malayan Banking Berhad
Hong Leong Bank 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



GROUP FINANCIAL HIGHLIGHTS

cont'd

| Financial year ended 31 December | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|-----------|-----------|-----------|-----------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Key Operating Results | | | | | |
| Revenue | 1,802,284 | 2,017,489 | 2,625,818 | 2,770,614 | 2,727,185 |
| Gross Profit | 93,174 | 106,003 | 139,371 | 149,783 | 153,853 |
| Profit Before Tax | 39,306 | 48,478 | 74,428 | 80,112 | 82,796 |
| Profit For The Year | 29,594 | 36,781 | 54,992 | 59,680 | 67,426 |
| As at 31 December | | | | | |
| Key Financial Data | | | | | |
| Total Assets | 547,915 | 559,321 | 688,270 | 713,992 | 822,535 |
| Total Liabilities | 240,133 | 225,098 | 312,443 | 302,876 | 366,100 |
| Total Equity | 307,782 | 334,223 | 375,827 | 411,116 | 456,435 |
| Financial Ratio | | | | | |
| | % | % | % | % | % |
| Profit Growth | 20.3 | 24.3 | 49.5 | 8.5 | 13.0 |
| Return on Equity | 9.9 | 11.5 | 15.5 | 15.2 | 15.5 |
| Dividend Yield ⁽¹⁾ | 3.8 | 3.5 | 4.6 | 5.3 | 5.0 |
| Dividend Payout Ratio ⁽²⁾ | 33.3 | 34.0 | 37.0 | 37.0 | 34.9 |

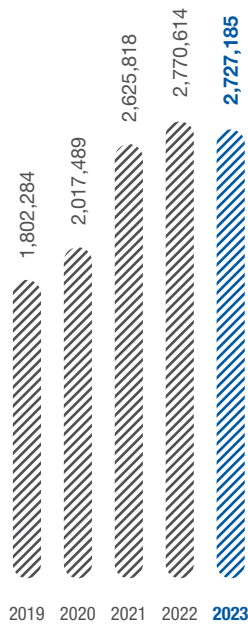
⁽¹⁾ Based on total dividend, inclusive Special Dividend, as a percentage of VSTECS share price as at 31 December

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

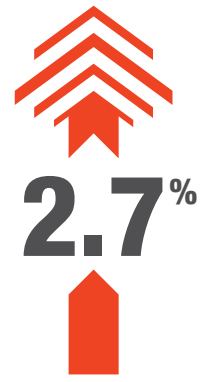
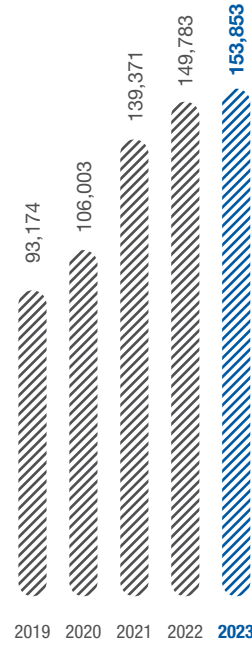
GROUP FINANCIAL HIGHLIGHTS

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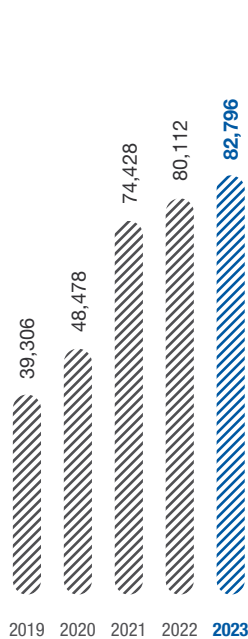
REVENUE (RM'000)



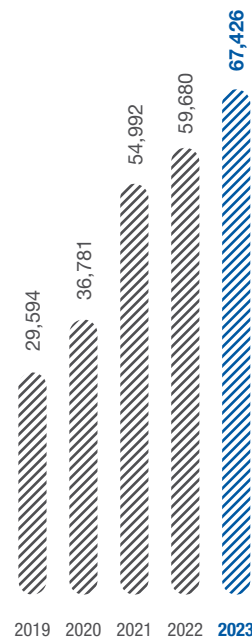
GROSS PROFIT (RM'000)



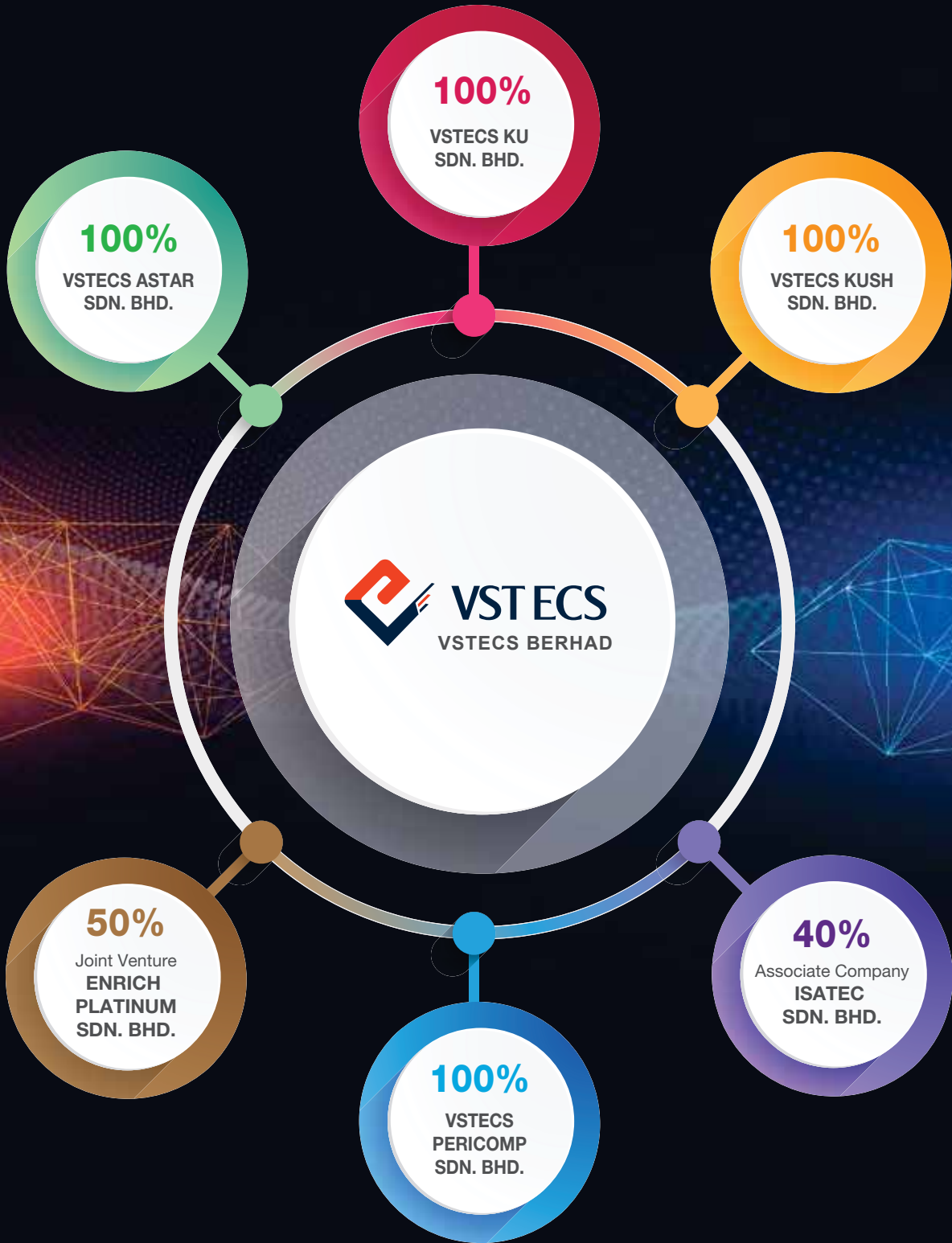
PROFIT BEFORE TAX (RM'000)



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 ("**the 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 2023 ("**FYE 2023**") 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

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:-

During the Applicable Period, the Board has the insight and foresight to assess and steer the Group's business model to a progressive sustainability-driven governance model in order to move the Group forward. The Board recognises the need to look "inwards" before looking "outwards" in order to ensure the long term sustainability of the Group.

| MCCG Practices | Applications by VSTECS |
|--|--|
| <p style="text-align: center;">Practice 1.1</p> <p style="text-align: center;">Key Responsibilities of the Board</p> | <p>(1) <u>Corporate Strategy</u></p> <ul style="list-style-type: none"> ✓ Strategic planning and direction to Chief Executive Officer ("CEO"), his Senior Leadership and management teams. ✓ Adoption of good corporate governance culture that engenders integrity, transparency and fairness. <p>(2) <u>Oversight over Management</u></p> <ul style="list-style-type: none"> ✓ Human resources planning and remuneration – ensure Executive Management retain key Senior Leadership personnel and management with integrity and competence. ✓ Internal Control and compliance – ensure robustness, adequate and with integrity. ✓ Review of financial and non-financial reporting from Management, External Auditors, Outsourced Internal Auditors and In-House Internal Auditors. <p>(3) <u>Overseeing the overall risk and opportunities</u></p> <ul style="list-style-type: none"> ✓ Risk Management oversight vide the Audit Committee ("AC") – which in turn is assisted by the Enterprise Risk Management ("ERM") Committee. ✓ Business overview on consumer and industrial trends as well as the Group's financial performance oversight. <p>(4) <u>Ensuring fair return to shareholders</u></p> <ul style="list-style-type: none"> ✓ Providing shareholders with decent returns in the form of dividends based on prevailing retained earnings and cash flow of the Company. <p>(5) <u>Stakeholders' management</u></p> <ul style="list-style-type: none"> ✓ Stakeholders' communication – Investors Relation Policy which clearly identified designated spokesperson for external parties and general public. |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

| MCCG Practices | Applications by VSTECs | | | | |
|---|---|--|---|------------------------------------|---|
| <p>Practice 4.1</p> <p>The Board and management take responsibility for the governance of sustainability in the company</p> | <p>Driving Strategic Thinking on Sustainability</p> <ul style="list-style-type: none"> ✓ The Board has been proactively considering sustainability matters, in particular the Environmental, Social and Governance (“ESG”) issues during FYE 2023 when it receives the ESG updates by the CEO. ✓ For FYE 2023, the Board received industry briefing update by International Data Corporation (“IDC”) and being kept abreast with sustainability issues relevant to the Group and its businesses. ✓ 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. ✓ “Sustainability Risk” has been enhanced based on the risk matrix for the ERM Committee to assess on a regular basis. ✓ To further enhance the role of the ERM in tandem with the emphasis on ESG considerations, the Board has established two (2) sub-committees under ERM Committee, chaired by key Senior Leadership and management personnel:- <table border="1" style="width: 100%;"> <tr> <td>Environmental, Social and Governance Committee (“ESGC”)</td> <td>Chaired by Chief Financial Officer (“CFO”), Mr. Chan Puay Chai (“Mr. Chan”)</td> </tr> <tr> <td>Health and Safety Committee</td> <td>Chaired by General Manager - e-Commerce, Mr. Tan Say Meng</td> </tr> </table> | Environmental, Social and Governance Committee (“ESGC”) | Chaired by Chief Financial Officer (“CFO”), Mr. Chan Puay Chai (“Mr. Chan”) | Health and Safety Committee | Chaired by General Manager - e-Commerce, Mr. Tan Say Meng |
| Environmental, Social and Governance Committee (“ESGC”) | Chaired by Chief Financial Officer (“CFO”), Mr. Chan Puay Chai (“Mr. Chan”) | | | | |
| Health and Safety Committee | Chaired by General Manager - e-Commerce, Mr. Tan Say Meng | | | | |

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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>Leadership & Stewardship</p> | <p><u>Board Leadership and Stewardship</u></p> <ul style="list-style-type: none"> Responsible for the overall CG, strategic direction, corporate goals and therefore monitors the achievement of these goals; and Sustainability controls and practices involved the ways in which the Group is integrating sustainability into core management processes, including target-setting, risk management, capital allocation, rewards and incentives. The Board's role is to ensure there is continuous improvement made by Senior Leadership and Management teams. |
| <p>Strategy Planning</p> | <p><u>Joint Board-Management Strategic Planning Session</u></p> <ul style="list-style-type: none"> Reviewed the strategic plan for the Group (including strategies on economic, environmental and social considerations underpinning sustainability), as tabled by the CEO. |
| <p>Overseeing the conduct of the Group's business</p> | <p><u>Regular reporting by CEO and Declaration of Interest by a Director</u></p> <ul style="list-style-type: none"> The Board supervised and assessed Senior Leadership team's performance to determine whether the Group's business have been properly managed; With the varying mix of board calibre and experiences, the Board has been providing advices/guidance to Senior Leadership and Management teams on business issues faced by Senior Leadership and Management teams; and During the Applicable Period, the Board has received a declaration of interest by one (1) of the Directors of the Company. Upon assessment, the Board concluded that there was no conflict of interest ("COI") or potential COI, including interest in any competing business that the Director concerned has with the Company or its subsidiaries. As such, there was no mitigation measure required. |
| <p>Risk Identification & Risk Management</p> | <p><u>Regular review of materiality and key risks matrix</u></p> <ul style="list-style-type: none"> 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 To receive updates from ERM Committee on a quarterly basis on the risk ranking and risk appetite of Senior Leadership and Management teams in managing financial and non-financial risks. |

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*

Succession Planning

Board mix and Composition

- The Board conducted annual board evaluation on board skills gap and composition to ensure it has the right blend of knowledge and experience on board;
- With the retirement of long serving Senior Independent Non-Executive Director (“INED”), namely Mr. Wong Heng Chong on 16 May 2023, the Board has re-designated Dato’ Khoo Sin Aik on 17 May 2023 as the new Senior INED, thereby ensuring the orderly succession of the Senior INED position; and
- To further enhance the board diversity mix, the Board has appointed Madam Josephine Phan Su Han as the new INED with effect from 15 June 2023.

Adequacy and integrity of management information and internal controls system of the Group

- The Board has been regularly reviewing the adequacy and the integrity of the Group’s internal control systems and ERM Framework;
- The Board has been 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
- Two (2) private sessions (without the presence of the executive Senior Leadership team) were held between the AC and the External Auditors.

Stakeholder Management

Stakeholder Management Activities

- The Board noted the stakeholders’ communication activities undertaken by the Company’s nominated spokesperson;
- During the Applicable Period, eleven (11) press releases were issued and six (6) analysts briefings were held with designated stakeholders; and
- The Board has been providing shareholders with decent and consistent returns in the form of dividends based on prevailing retained earnings and cash flow of the Company.

ESG consideration

- The Board has been actively cultivating 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;
- The Board noted the ERM Committee has enhanced the “Sustainability Risk” factor in the risk matrix for risk assessment purposes;
- 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 & Safety Committee, chaired by key Senior Leadership and management personnel, respectively;
- 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 2023; and
- Review of the Sustainability Statement.

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.

1.2 Key Responsibilities of the Chairman of the Board

The Board is led by Madam Lee Marn Fong @ Wu Marn Fong ("**Madam Lee**"), the Non-Independent Non-Executive Chairman of the Board since 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.

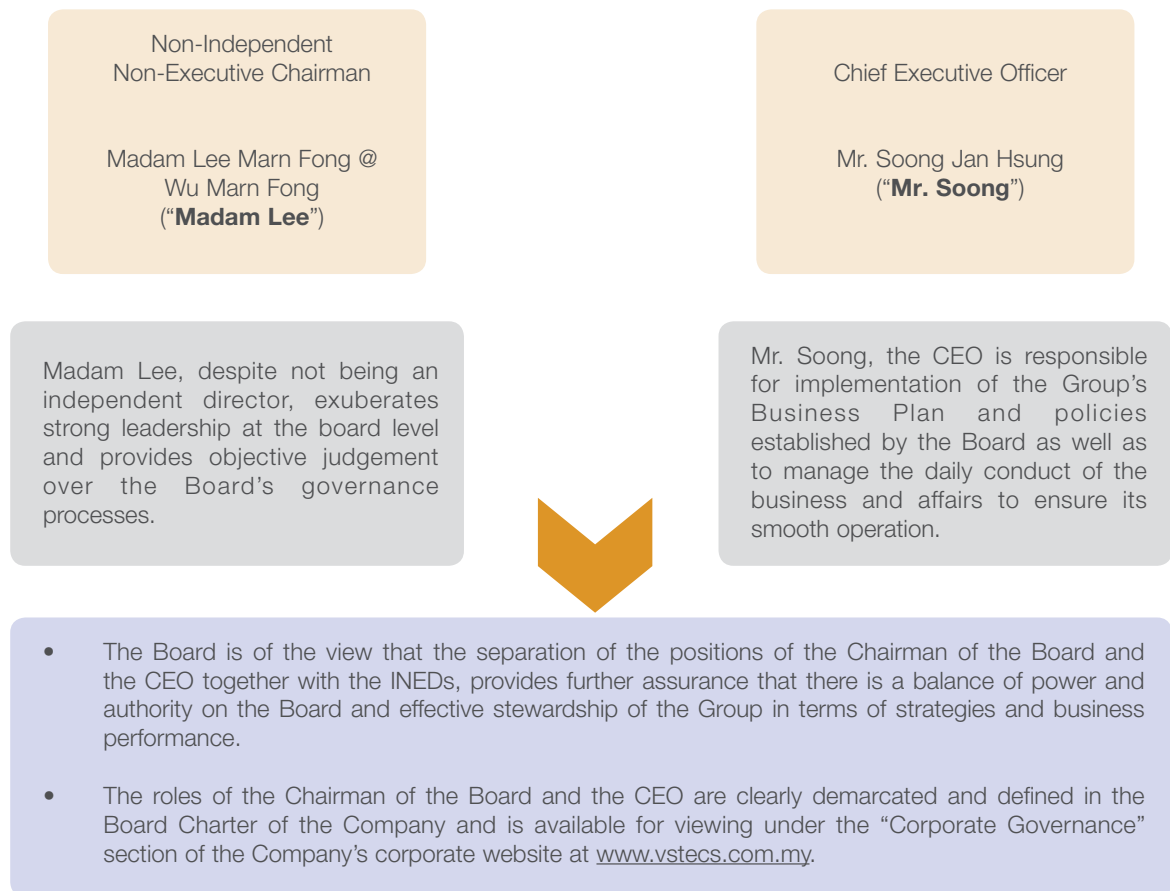
CORPORATE GOVERNANCE OVERVIEW STATEMENT cont'd

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 style="text-align: center;">Practice 1.4</p> <p style="text-align: center;">The Chairman of the board should not be a member of the audit committee, nomination committee or remuneration committee.</p> <div style="background-color: #c0c0c0; text-align: center; padding: 5px; margin-top: 10px;">APPLIED</div> | <ul style="list-style-type: none"> ✓ Madam Lee, the Chairman of the Board in FYE 2023, does not sit on any Board Committee nor attend any Board Committees' meetings. ✓ 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. |

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 style="text-align: center;">Practice 1.5</p> <p style="text-align: center;">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.</p> <p style="text-align: center;">APPLIED</p> | <p>✓ The Board is supported by two (2) suitably qualified and competent Company Secretaries as follows:-</p> <ul style="list-style-type: none"> • Ms. Chua Siew Chuan, FCIS • Mr. Cheng Chia Ping, ACIS <p>✓ Qualifications Both are members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 (“CA 2016”). 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>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 www.vstecs.com.my.</p> <p>✓ Unrestricted access to the Company Secretary 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>✓ Minute-taker The Company Secretaries ensure that the deliberations at the Board meetings are well captured and minuted.</p> <p>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>✓ Facilitator 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

| MCCG Practices | Applications by VSTECS |
|----------------|---|
| | <p>✓ Continuous Professional Development 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 FYE 2023, 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 FYE 2023, the Company Secretary has attended the IDC Market Update 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 style="text-align: center;">Practice 1.6</p> <p style="text-align: center;">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.</p> <p style="text-align: center;">APPLIED</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>Practice 2.1</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"> the respective roles and responsibilities of the board, board committees, individual directors and management; and issues and decisions reserved for the board. <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ 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. ✓ Publication on the corporate website <p>A copy of the Board Charter is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my.</p> |

1.7 Code of Conduct and Ethics

| MCCG Practices | Applications by VSTECs |
|--|---|
| <p>Practice 3.1</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>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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"> (a) Directors' Code of Ethics; and (b) VSTECs's Code of Conduct. <p>(Collectively, referred to as the "Codes")</p> ✓ Publication on the corporate website <p>A copy each of the Codes is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my.</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 the employees’ intranet and accessible by all employees.

A copy of the ABC Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.

For FYE 2023, the Group has undertaken the following ABC activities:-

- (1) Integrity pledge/declaration by staff of the Group.
- (2) Anti-Bribery and Corruption training as part of the orientation program for all new employees.

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

| MCCG Practices | Applications by VSTECs |
|--|---|
| <p style="text-align: center;">Practice 3.2</p> <p style="text-align: center;">The board establishes, reviews and together with management implements policies and procedures on whistleblowing.</p> <p style="text-align: center;">APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ 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. ✓ <u>Publication on the corporate website</u> A copy of the Whistle-blowing Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my. ✓ <u>Handling of Reported Allegation(s)</u> 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. ✓ <u>Communication and Feedback Channel</u> In general, whistle-blowers are expected to utilise the appropriate channels provided, prior to making public statements (as a last resort measure). 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 www.vstecs.com.my, 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). ✓ For FYE 2023, there was no whistleblowing report being made. |

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>Practice 4.2</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> <div style="background-color: #c0c0e0; padding: 5px; margin-top: 10px; text-align: center; font-weight: bold;">APPLIED</div> | <ul style="list-style-type: none"> ✓ 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. ✓ 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. ✓ <u>Publication on the corporate website</u> <p>A copy of this Policy is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.</p> |

(2) Board Composition

| MCCG Practices | Applications by VSTECs |
|---|--|
| <p>Practice 5.1</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> <div style="background-color: #c0c0e0; padding: 5px; margin-top: 10px; text-align: center; font-weight: bold;">APPLIED</div> | <ul style="list-style-type: none"> ✓ For FYE 2023, the tenure of each Director has been reviewed by the Nominating Committee (“NC”) and annual re-election of a Director has been contingent on satisfactory evaluation of the Directors’ performance and contribution to the Board:- <p>(a) Re-election of Directors</p> <p>All Directors are subject to election by shareholders at the first opportunity after their appointment in the next annual general meeting (“AGM”). 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-Eighth (“28th”) AGM (hereinafter referred to as “the Retiring Directors”):-</p> <ul style="list-style-type: none"> • Mr. Ong Wei Hiam; and • Dato’ Khoo Sin Aik. |

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>The NC has conducted the following assessment based on the criteria as prescribed by the Main LR of Bursa Securities (“Prescribed Criteria”) for the Retiring Directors:-</p> <ul style="list-style-type: none"> • Mix of skills; • Character; • Experience; • Integrity; • Competence; and • Time commitment to discharge their roles. <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"> • Participation at the Board Committee(s)/Board Meeting(s); • Advice/Guidance rendered to the Board Committee(s) and/or Board based on individual experience and background; and • The Retiring Directors fitness and propriety with reference to the Directors’ Fit and Proper Policy. <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 28th AGM.</p> <p>(b) Re-appointment to the Board</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 Josephine Phan Su Han (“Madam Josephine”) had been appointed as an INED on 15 June 2023. She is required to retire at the forthcoming 28th 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 Josephine, using prescribed criteria. The NC also considered Madam Josephine’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 Josephine, the NC and in turn, the Board has recommended to shareholders, her re-appointment at the forthcoming 28th 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>(c) Board composition and mix of skills</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 FYE 2023.</p> <p>The biographical details of the Board members are set out in the Directors' Profile section of this Annual Report.</p> |
| <p>Practice 5.2</p> <p>At least half the Board comprises independent directors.</p> <p>APPLIED</p> | <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #d9e1f2; padding: 10px; border-radius: 10px; text-align: center;"> <p>57% INEDs</p> </div> <div style="background-color: #fce4d6; padding: 10px; border-radius: 10px; text-align: center;"> <p>29% NINEDs</p> </div> </div> <div style="background-color: #fce4d6; padding: 10px; border-radius: 10px; text-align: center; margin-top: 10px;"> <p>14% ED</p> </div> <ul style="list-style-type: none"> ✓ 57% of the Board comprises Independent Non-Executive Directors ("INEDs"), 29% are Non-Independent Non-Executive Directors ("NINEDs") while the remaining 14% is the Executive Director ("ED"). ✓ As the Board with a majority of INEDs, the Board believed that it would allow for more effective and impartial oversight of management. |
| <p>Practice 5.3</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>APPLIED</p> | <ul style="list-style-type: none"> ✓ The long-serving INED, namely Mr. Wong Heng Chong has retired on 16 May 2023. ✓ As at the date of this Statement, none of the INEDs of the Company has served the Company exceeding a cumulative term of nine (9) years. |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(2) Board Composition *cont'd*

| MCCG Practices | Applications by VSTECs | | | | | | | | | | | | |
|---|--|-----------------------|-----------------------------|---------|---------|--|--|--|----------------|--|-------------------|-----------------------|-----------------------------|
| <div style="background-color: #f4e1d9; padding: 10px; border: 1px solid #d95319; margin-bottom: 10px;"> <p style="text-align: center;">Practice 5.5</p> <p style="text-align: center;">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.</p> </div> <div style="background-color: #c0c0e0; padding: 5px; text-align: center; border: 1px solid #d95319; margin-bottom: 10px;"> <p>APPLIED</p> </div> | <p>✓ The Board through the NC, undergone the four-staged process as follows, for appointment/re-appointment of the Director:-</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="background-color: #d95319; color: white;">Stage 1</th> <th style="background-color: #d95319; color: white;">Stage 2</th> <th style="background-color: #d95319; color: white;">Stage 3</th> <th style="background-color: #d95319; color: white;">Stage 4</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td></td> <td style="background-color: #d95319; color: white; text-align: center; border-radius: 5px;"> Recommendation </td> </tr> <tr> <td>Review of the potential candidates based on stated criteria, with due regard to gender diversity</td> <td>Board gaps review</td> <td>Fit and Proper Review</td> <td>Recommendation to the Board</td> </tr> </tbody> </table> <p>✓ For FYE 2023 and up to the date of this Statement, the NC had reviewed the working experience, skills, capability, competencies, and fit and properness of Madam Josephine, 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 their re-appointment at the forthcoming 28th AGM of the Company.</p> | Stage 1 | Stage 2 | Stage 3 | Stage 4 | | | | Recommendation | 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 | | | | | | | | | | |
| | | | Recommendation | | | | | | | | | | |
| 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 | | | | | | | | | | |
| <div style="background-color: #f4e1d9; padding: 10px; border: 1px solid #d95319; margin-bottom: 10px;"> <p style="text-align: center;">Practice 5.6</p> <p style="text-align: center;">In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders.</p> </div> <div style="background-color: #c0c0e0; padding: 5px; text-align: center; border: 1px solid #d95319; margin-bottom: 10px;"> <p>APPLIED</p> </div> | <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 (“ICDM”), a reputable and independent source as part of its Stage 1 identification process.</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>Practice 5.7</p> <p>The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director.</p> <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ 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>Practice 5.8</p> <p>Nominating Committee is chaired by an independent director or Senior Independent Director.</p> <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ The Board has appointed Dato' Khoo Sin Aik ("Dato' Khoo") as the Senior Independent Non-Executive Director ("SINED") and the Chairman of the NC with effect from 17 May 2023. |

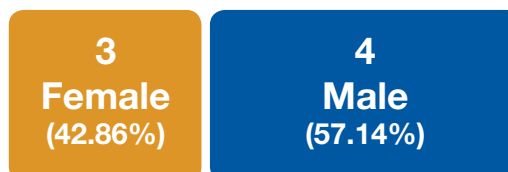
2.1 Board Diversity

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 FYE 2023 and up to the date of this Statement, there are three (3) female Directors out of seven (7) Directors, representing 42.86% of the total Board members.



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*

2.1.1 Gender Diversity *cont'd*

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 FYE 2023, 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.

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 are above fifty years of age, the CEO, Mr. Soong is 60 years of age; while Dato' Khoo, a SINED, is 62 years of age; Mr. Ong Wei Hiam, the NINED, is 52 years of age; Madam Josephine, an INED, is 59 years of age; Encik Abdul Aziz, an INED, is 65 years of age; Madam Anne, an INED, is 73 years of age; and Madam Lee, the NINE Chairman, is 76 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.

2.2 Nominating Committee

The NC is chaired by Dato' Khoo, who has been re-designated from an INED to a SINED since 17 May 2023.

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.

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*

For FYE 2023, 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 |
|---|--|
| Dato' Khoo Sin Aik (Chairman – Re-designated as Chairman of NC on 17 May 2023) | 1/1 |
| Ong Wei Hiam (Member) | 1/1 |
| Madam Josephine Phan Su Han (Member – Appointed as member on 15 June 2023) | - |
| Wong Heng Chong (Chairman – Ceased as member on 16 May 2023) | 1/1 |

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

- Conducted the online assessment of the AC Members' Self and Peers and the effectiveness of the AC as a whole;
- Conducted the online assessment of the Board Members' Self and Peers;
- Conducted the online assessment of the Board, the Committees of the Board and the contribution of the CEO and Non-Independent Non-Executive Chairman;
- Assessed the size and composition of the Board and Board Committees;
- Reviewed the adequacy of the Board;
- Reviewed the independence of the Independent Directors;
- Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming AGM of the Company;
- Reviewed the attendance of the Board Members at Board and Board Committees Meetings;
- Reviewed the Directors' training programmes attended by the Board of Directors; and
- 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 FYE 2023, the Directors have committed a total of 27 hours 12 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 | 10 hours 38 minutes |
| Audit Committee Meeting | 11 hours 53 minutes |
| Nominating Committee Meeting | 47 minutes |
| Remuneration Committee Meeting | 2 hours 43 Minutes |
| Annual General Meeting | 1 hour 11 minutes |
| Total | 27 hours 12 minutes |

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 FYE 2023, 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 FYE 2023.

For FYE 2023, 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 FYE 2023 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% |
| 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 | 4 out of 4 | 100% |
| Josephine Phan Su Han | 2 out of 2 | 100% |
| Wong Heng Chong (<i>Retired on 16 May 2023</i>) | 1 out of 1 | 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:-

| | | |
|--|--|--|
| <p>On-boarding training (for newly appointed Director only)</p> | <p>1 Industry Briefing</p> | <p>1 Skills Briefing</p> |
| <p>Training Objective</p> <p>New appointees to the Board undergo a familiarisation programme, which includes visits to the Group's business operations and meetings with Senior Leadership team to facilitate their understanding of the Group's operations and businesses.</p> <p>Madam Josephine attended such session on 11 July 2023.</p> | <p>Training Objective</p> <p>To equip the Directors with the latest trend and development affecting the industry and sector as a whole.</p> | <p>Training Objective</p> <p>To enhance the Directors' skills and knowledge on selected topics.</p> |

All members of the Board have attended the Mandatory Accreditation Programme – Part I, as prescribed by Bursa Securities. For the Applicable Period, two of the Directors have successfully completed the MAP Part II – Leading for Impact.

For FYE 2023, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the **"2023 Directors' Trainings"**):-

| Name of Directors | Trainings Programmes/Seminars/Forums Attended |
|---|---|
| <p>Lee Marn Fong @ Wu Marn Fong</p> | <ul style="list-style-type: none"> • Management of Cyber Risk, by Bursa Malaysia Berhad ("Bursa") in collaboration with Ernst & Young ("E&Y") • Sustainability Governance, Management & Reporting – Implications of the Economic, Environmental, Social & Governance ("EESG"), by Mr Lee Min On • Bursa PLCS Investor Relations Series 1: "What Do Investors Look For in Your Company?", by Bursa • 2023 International Data Corporation ("IDC") Market Update, by IDC • A Dialogue with Bursa Malaysia – FTSE4GOOD ESG Rating for all public listed companies ("PLC"), by Institute of Corporate Directors Malaysia ("ICDM") |
| <p>Soong Jan Hsung</p> | <ul style="list-style-type: none"> • Management of Cyber Risk, by Bursa in collaboration with E&Y • Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On • 2023 IDC Market Update, by IDC |

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 |
|----------------------------------|--|
| Dato' Khoo Sin Aik | <ul style="list-style-type: none"> Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On 2023 IDC Market Update, by IDC |
| Abdul Aziz Bin Zainal Abidin | <ul style="list-style-type: none"> Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On Excel the Boards towards Corporate Milestones, by Ministry of Finance, Sabah 2023 IDC Market Update, by IDC The Financial Institutions Directors' Education (“FIDE”)’s Core Program Module B – Insurance, by Iclif Executive Education Center at The Asia School of Business (“Iclif at ASB”) |
| Ong Wei Hiam | <ul style="list-style-type: none"> Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On 2023 IDC Market Update, by IDC |
| Anne Rodrigues Nee Koh Lan Heong | <ul style="list-style-type: none"> Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On Advocacy Session for Directors and CEOs of Main Market Listed Issuers by Bursa 2023 IDC Market Update, by IDC Mandatory Accreditation Programme (“MAP”) Part II: Leading for Impact, by ICDM ISSB (International Sustainability Standards Board) Session with Regulators, by SC |
| Josephine Phan Su Han | <ul style="list-style-type: none"> The Audit Committee – How to Navigate Financial Reporting Oversight Amidst Potential Landmines of Misreporting, by Malaysian Institute of Corporate Governance (“MICG”) Management of Cyber Risk, by Bursa in collaboration with E&Y ESG Assurance and Advisory, by MICG Conflict of Interest and Governance of Conflict of Interest, by Iclif at ASB Sustainability Governance, Management & Reporting – Implications of the EESG, by Mr Lee Min On Advocacy Session for Directors and CEOs of Main Market Listed Issuers by Bursa 2023 IDC Market Update, by IDC MAP for Directors of PLC, by ICDM MAP Part II: Leading for Impact, by ICDM |

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 2023 Directors' Trainings were adequate.

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*

2024 Directors' Training Needs

Upon review of the training needs of the Directors for the financial year ending 31 December 2024 ("FYE 2024"), 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.

The Board also agreed that the remaining Directors should endeavour to enrol for the MAP Part II – Leading for Impact during the FYE 2024, depending on the seat availability of the ICDM.

2.7 Annual Assessment of the Board

| MCCG Practices | Applications by VSTECS |
|---|--|
| <p data-bbox="411 981 549 1008">Practice 6.1</p> <p data-bbox="328 1039 635 1411">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.</p> <p data-bbox="427 1464 533 1491">APPLIED</p> | <ul style="list-style-type: none"> <li data-bbox="703 960 1430 1016">✓ Echoing the theme of "Sustainable Digitalisation" for FYE 2022, VSTECS has "digitised" the hardcopy assessment forms. <li data-bbox="703 1048 1430 1128">✓ Directors have been completing the online assessment forms at their convenience and the results were electronically compiled. <li data-bbox="703 1160 1430 1301">✓ Dato' Khoo, 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 data-bbox="703 1332 1430 1420">✓ 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 data-bbox="767 1451 1414 1480">(a) Directors' self-assessment and peer assessment survey; <li data-bbox="767 1480 1430 1536">(b) Evaluation on the effectiveness of the Board of Directors and the Board Committees; <li data-bbox="767 1536 1267 1565">(c) Evaluation on the contribution of the CEO; <li data-bbox="767 1565 1430 1621">(d) Evaluation on the contribution of the Non-Independent Non-Executive Chairman; and <li data-bbox="767 1621 1347 1650">(e) Annual Assessment of Independence of Directors. <li data-bbox="703 1682 1430 1796">✓ Details of the assessments are set out in Practice 6.1 of the CG Report as set out in the Directors' Assessment Policy is available for viewing under the "Corporate Governance" section in the Company's corporate website at www.vsteecs.com.my. |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(3) Remuneration

| MCCG Practices | Applications by VSTECs | | | | | | | | |
|---|---|------------------------|--|--|-----|--|-----|--------------------------------|-----|
| <p>Practice 7.1</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>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. <p>Publication on the corporate website</p> <ul style="list-style-type: none"> ✓ A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my | | | | | | | | |
| <p>Practice 7.2</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>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ For FYE 2023, the RC comprises solely of Non-Executive Directors and two (2) of them are Independent Directors during FYE 2023. ✓ 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:- <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>Ong Wei Hiam (<i>Member</i>)</td> <td>2/2</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ✓ 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 www.vstecs.com.my. | 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 | Ong Wei Hiam (<i>Member</i>) | 2/2 |
| 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 | | | | | | | | |
| Ong Wei Hiam (<i>Member</i>) | 2/2 | | | | | | | | |

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"> ✓ The RC met twice during FYE 2023, reviewed and recommended to the Board for approval the following matters:- <ul style="list-style-type: none"> (a) the Group's total bonus for year 2022 and total salary increment for year 2023; (b) the bonus payments to the CEO for year 2022; (c) the bonus payment to the Senior Leadership Team for year 2023; (d) the increments to the Senior Leadership and management teams for year 2023; (e) the Directors' and Board Committee's fees for FYE 2023; (f) the benefits payable to the Directors under Section 230(1)(b) of the CA 2016; (g) the remuneration package of the Non-Independent Non-Executive Chairman as an Advisor of the Company for FYE 2024; and (h) the remuneration package of the ED/CEO for FYE 2024. |

3.1 Details of the Directors' Remuneration for FYE 2023

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.

For FYE 2023, 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 | 51 | - | - | - | - | 51 |
| Sub-total | 51 | - | - | - | - | 51 |
| Lee Marn Fong @ Wu Marn Fong | 78 | 3 | - | - | - | 81 |
| Dato' Khoo Sin Aik | 69 | 5 | - | - | - | 74 |
| Abdul Aziz Bin Zainal Abidin | 73 | 7 | - | - | - | 80 |
| Ong Wei Hiam | 73 | 8 | - | - | - | 81 |
| Anne Rodrigues Nee Koh Lan Heong | 61 | 5 | - | - | - | 66 |
| Josephine Phan Su Han (Appointed on 15 June 2023) | 34 | 1 | - | - | - | 35 |
| Wong Heng Chong (Retired on 16 May 2023) | 29 | 2 | - | - | - | 31 |
| Sub-total | 417 | 31 | - | - | - | 448 |
| Total | 468 | 31 | - | - | - | 499 |

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 FYE 2023 *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 | 55 | - | 2,962 | 24 | - | 3,041 |
| Sub-total | 55 | - | 2,962 | 24 | - | 3,041 |
| Lee Marn Fong @ Wu Marn Fong | 82 | 3 | - | - | 169 | 254 |
| Dato' Khoo Sin Aik | 69 | 5 | - | - | - | 74 |
| Abdul Aziz Bin Zainal Abidin | 73 | 7 | - | - | - | 80 |
| Ong Wei Hiam | 73 | 8 | - | - | - | 81 |
| Anne Rodrigues Nee Koh Lan Heong | 61 | 5 | - | - | - | 66 |
| Josephine Phan Su Han <i>(Appointed on 15 June 2023)</i> | 34 | 1 | - | - | - | 35 |
| Wong Heng Chong <i>(Retired on 16 May 2023)</i> | 29 | 2 | - | - | - | 31 |
| Sub-total | 421 | 31 | - | - | 169 | 621 |
| Total | 476 | 31 | 2,962 | 24 | 169 | 3,662 |

Note: Salaries include bonus and EPF.

3.2 Details of Top Five (5) Senior Leadership team's Remuneration for FYE 2023

In accordance with Practice 8.2 of the MCGG 2021, a band of the remuneration for the top five senior management (excluding the ED/CEO of the Company), during FYE 2023 are as follows:-

| | Senior Leadership team |
|----------------------------|------------------------|
| RM1,450,001 to RM1,500,000 | 1 |
| RM800,001 to RM850,000 | 1 |
| RM750,001 to RM800,000 | 1 |
| RM600,001 to RM650,000 | 1 |
| RM500,001 to RM550,000 | 1 |

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 111 to 116.

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>Practice 9.1</p> <p>The Chairman of the Audit Committee is not the Chairman of the board.</p> <p>APPLIED</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>Practice 9.2</p> <p>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.</p> <p>APPLIED</p> | <p>✓ For the Applicable Period, the AC has in its TOR adopted the 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>✓ Publication on the corporate website</p> <p>A copy revised TOR of AC is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.vstecs.com.my.</p> |
| <p>Practice 9.3</p> <p>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.</p> <p>APPLIED</p> | <p>✓ The AC has adopted the policy and procedures to assess the suitability, objectivity and independence of external auditors ("the EA Policy").</p> <p>✓ Pursuant to the EA Policy, the AC has conducted an annual assessment on the external auditors for FYE 2023.</p> <p>✓ In its assessment, the AC considered, <i>inter alia</i>, the following factors:-</p> <p>For assessment on "Suitability" of External Auditors:-</p> <ul style="list-style-type: none"> • 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; • 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 ("MIA") which has not been reserved by the Disciplinary Board of MIA; • The External Auditors firm has the geographical coverage required to audit the Group; |

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"> • 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; • The External Auditors firm consistently meets the deadlines set by the Group; • The level of quality control procedures in the external audit firm, including the audit review procedures; and • The External Auditors scope is adequate to cover the key financial and operational risks of the Group. <p>For assessment on “Objectivity” of External Auditors:-</p> <ul style="list-style-type: none"> • The nature and extent of the non-audit services rendered and the appropriateness of the level of fees. <p>For assessment on “Independence” of the External Auditors:-</p> <ul style="list-style-type: none"> • The engagement partner has not served for a continuous period of more than seven (7) years with the Company; • 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 • Tenure of the current auditors. <ul style="list-style-type: none"> ✓ The AC noted, for FYE 2023, 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. ✓ 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 FYE 2024. The Board has in turn recommended the same for shareholders’ approval at the forthcoming 28th AGM of the Company. ✓ During FYE 2023, 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><u>Provision of Non-Audit Services</u></p> <ul style="list-style-type: none"> ✓ 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. |

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"> ✓ 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. ✓ A former key audit partner is required to observe a cooling-off period of at least three (3) years only before being appointed as a member of the AC. |

(5) Risk Management and Internal Control Framework

| MCCG Practices | Applications by VSTECs |
|---|--|
| <p style="text-align: center;">Practice 10.1</p> <p style="text-align: center;">The board should establish an effective risk management and internal control framework.</p> <p style="text-align: center;">APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ 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. ✓ For FYE 2023, 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. ✓ 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. ✓ 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. ✓ 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 www.vstecs.com.my. ✓ For FYE 2023, 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. |

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 |
|--|---|
| <p>Practice 10.2</p> <p>The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.</p> <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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. ✓ As part of the risk mitigation measures, the Board has established the following policies:- <ul style="list-style-type: none"> (i) ABC Policy (ii) Code of Conduct (iii) Insider Dealing Policy (iv) Related Party Transaction Policy (v) Succession Planning Policy (vi) Whistle-Blowing Policy <p>(Collectively, referred to as the “Policies”)</p> ✓ For FYE 2023, 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. ✓ Publication on the corporate website <p>A copy each of the abovementioned Policies is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.vstecs.com.my.</p> |

(6) Internal Audit Function

| MCCG Practices | Applications by VSTECs |
|--|--|
| <p>Practice 11.1</p> <p>The Audit Committee should ensure that the internal audit function is effective and able to function independently.</p> <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ For the internal audit function of the Group, the AC maintained an outsourced Internal Auditors as well as an In-House Internal Audit Department. ✓ The Outsourced Internal Auditors and In-House Internal Audit Manager communicate regularly with and report directly to the AC. For FYE 2023, the Outsourced Internal Auditors’ representative met up three (3) times with the AC. ✓ 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. <p>Outsourced Internal Auditors</p> <ul style="list-style-type: none"> ✓ At the AC Meeting held on 22 November 2022, 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 2023 and the AC has resolved that the Outsourced Annual Audit Plan for year 2023 be approved for adoption. |

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 |
|----------------|---|
| | <ul style="list-style-type: none"> ✓ For FYE 2023 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. <p>In-House Internal Audit Department</p> <ul style="list-style-type: none"> ✓ The In-House Internal Auditors communicate regularly with and report directly to the AC. For FYE 2023, the In-House Internal Auditors met up four (4) times with the AC. ✓ At the AC Meeting held on 22 November 2022, the In-House Internal Audit Manager has presented to the AC the In-House Internal Audit Function's Audit Plan for year 2023 and the AC has subsequently approved the In-House Audit Plan for year 2023. ✓ For FYE 2023 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 2023. <p>Internal Audit Assessment</p> <ul style="list-style-type: none"> ✓ 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. <p>Internal Audit Charter</p> <ul style="list-style-type: none"> ✓ For FYE 2023, the AC has updated its Internal Audit Charter to cover the assessment on anti-corruption and whistle-blowing processes, as recommended by the MCCG 2021. |

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>Practice 11.2</p> <p>The board should disclose–</p> <ul style="list-style-type: none"> • whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence; • the number of resources in the internal audit department; • name and qualification of the person responsible for internal audit; and • whether the internal audit function is carried out in accordance with a recognised framework. <p>APPLIED</p> | <p>Internal Audit Assessment</p> <ul style="list-style-type: none"> ✓ For FYE 2023, 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. ✓ 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. |

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

(7) Communication with Stakeholders

| MCCG Practices | Applications by VSTECs |
|--|---|
| <p>Practice 12.1</p> <p>The board ensures there is effective, transparent and regular communication with its stakeholders.</p> <p>APPLIED</p> | <ul style="list-style-type: none"> ✓ 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"> (a) Corporate Disclosures/ Investor Relations <p>The Board has on 30 November 2018 amended the Corporate Disclosure Policy that 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 www.vstecs.com.my.</p> |

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) Spokespersons</p> <table border="1" data-bbox="767 678 1425 898"> <thead> <tr> <th colspan="2" data-bbox="767 678 1425 719">Primary Spokesperson:-</th> </tr> </thead> <tbody> <tr> <td data-bbox="767 719 951 898">CEO</td> <td data-bbox="951 719 1425 898">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="767 927 1425 1178"> <thead> <tr> <th colspan="2" data-bbox="767 927 1425 967">Secondary Spokesperson:-</th> </tr> </thead> <tbody> <tr> <td data-bbox="767 967 951 1178">CFO/Company Secretaries</td> <td data-bbox="951 967 1425 1178">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>(c) Analysts and Media Briefings</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 FYE 2023, the Company has held six (6) analysts briefing sessions and issued eleven (11) press releases. The research reports and press releases are available for viewing under the "News" section of the Company's corporate website at www.vstecs.com.my.</p> <p>(d) Corporate Website</p> <p>The Company's corporate website at www.vstecs.com.my 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, Investor Relations and Corporate Governance sections to ensure more effective dissemination of information.</p> | Primary Spokesperson:- | | 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. | Secondary Spokesperson:- | | 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. |
| Primary Spokesperson:- | | | | | | | | | |
| 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. | | | | | | | | |
| Secondary Spokesperson:- | | | | | | | | | |
| 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. | | | | | | | | |

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><u>Publication of Notice of AGM on Corporate Website</u></p> <p>Pursuant to Section 320(2) of the CA 2016, a copy of the Notice convening the 28th AGM together with the proxy form are available at the corporate website of VSTECs Berhad at https://vstecs.listedcompany.com/ar_2023.html.</p> |

(8) Conduct of General Meetings

| MCCG Practices | Applications by VSTECs |
|--|--|
| <p>Practice 13.1</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>Practice 13.2</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 17 April 2023, issued its Notice of Twenty-Seventh ("27th") AGM of the Company, at least twenty-eight (28) days prior to the date of the meeting i.e., 16 May 2023. The notes to the Notice of 27th AGM provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p> |
| <p>Practice 13.3</p> <p>Listed companies should leverage technology to facilitate–</p> <ul style="list-style-type: none"> voting including voting in absentia; and remote shareholders' participation at general meetings | <p><u>27th AGM held on 16 May 2023</u></p> <p>✓ All Board members were present at the broadcast venue or attended remotely the general meeting of the Company and provided responses to the shareholders on the key matters arose during the general meeting via live streaming webcast, with the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the SC; and</p> <p>✓ The Chairman of AC, NC and RC were also present on screen of the 27th AGM to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</p> |
| <p>APPLIED</p> | <p><u>Poll Voting</u></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 https://www.sshsb.net.my/ (Domain Registration No. with MyNIC Berhad: D4A004360) for all resolutions set out in the Notice of 27th AGM held on 16 May 2023. 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 *cont'd*

| MCCG Practices | Applications by VSTECs |
|---|---|
| <p>Practice 13.4</p> <p>The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders.</p> | <p><u>Virtual 27th AGM</u></p> <ul style="list-style-type: none"> ✓ The 27th AGM held on 16 May 2023 was a fully virtual meeting. ✓ The shareholders were allowed to submit their questions electronically through the online platform provided by SS E Solutions Sdn. Bhd. via SSeP at https://sshbs.net.my/ prior to the Meetings, or used the query box to transmit questions to the Board via RPV facilities during live streaming of the Meetings. ✓ 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. ✓ Shareholders were given sufficient opportunity to pose their questions before and during the Meetings. The Company had ensured that all the questions were answered. <p><u>Minutes of 27th AGM</u></p> <p>The minutes of the 27th AGM held on 16 May 2023 were published on corporate website no later than thirty (30) business days after the AGM.</p> |
| <p>Practice 13.5</p> <p>The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders.</p> | |
| <p>Practice 13.6</p> <p>Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.</p> | |
| <p>APPLIED</p> | |

Key CG future priority for FYE 2024

The key priorities of the Board's CG Practices for FYE 2024 are as follows:-

- ✓ Ensuring the integrity of the Group's financial accounting and reporting process be maintained;
- ✓ Ensuring the internal and external audit process as well as risk management oversight by the Board be duly maintained; and
- ✓ ESG initiatives be duly implemented and disclosed accordingly.

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.

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 29 March 2024.

SUSTAINABILITY STATEMENT

“

At VSTECS, we recognise that sustainability is not merely a choice but an imperative that shapes our present and influences our legacy. Our journey towards sustainable practices is not just a corporate responsibility; it is a pledge to continuously contribute positively to the planet and society we serve.

”

CEO'S MESSAGE ON SUSTAINABILITY

As we reflect on the past year and envision the future, I am proud to share our commitment to sustainability at VSTECS Berhad. In an era where the global community faces unprecedented challenges, our dedication to environmental, social, and corporate responsibility has never been more critical.

Throughout the years, we have continuously made significant strides in integrating and enhancing sustainability practices with our business strategies. To achieve these goals, we have set environmental targets and management's key performance indicators (KPIs) with action plans to minimise carbon footprint from our operations for the health of our planet.

Our focus extends beyond environmental sustainability. We are deeply committed to fostering a workplace culture that values diversity, equity, and inclusion. Our people are our greatest asset, and it is our responsibility to create a safe, healthy and an inclusive workplace where everyone feels empowered and has equal opportunities to thrive.

Collaboration is at the heart of our sustainability journey. We actively seek partnerships with like-minded organisations, recognising that collective action is essential for addressing global challenges. By aligning our strategies with the United Nations Sustainable Development Goals, we aim to contribute meaningfully to the broader global agenda.

As we navigate the dynamic landscape of business and environmental sustainability, I want to express my gratitude to our brand vendors/principals, employees, customers, and channel partners for their unwavering support. Together, we are building a sustainable future where innovation, responsibility, and profitability coexist harmoniously.

Sustainability and its disclosure is a continuous journey as we assess and evaluate our impacts on the community, workplace, environment, and industry. As a leading ICT distributor in Malaysia, we cater to the technological needs of consumers and enterprises. As a response, we are working on further enhancing our sustainable development strategies to develop more holistic initiatives for our future and the future of all our stakeholders.

In the pages that follow, you will find a detailed account of our sustainability initiatives, achievements, and the road ahead. Thank you for being a part of VSTECS Berhad's sustainability journey.

JH Soong

Chief Executive Officer

SUSTAINABILITY STATEMENT

cont'd

SCOPE AND BOUNDARIES OF REPORTING

Our Sustainability Statement for FYE 2023 (“**SS2023**”) encompasses the business of VSTECS Berhad and its subsidiaries, collectively referred to as “**VSTECS**” or “**the Group**”. Accordingly, this Report excludes our associate company, joint ventures and outsourced activities of the Group.

The SS2023 provides disclosure on Environmental, Social and Governance (“**ESG**”) aspects that the Group deems essential to our operations. As an ICT distributor and provider of ICT services, we do not engage in any manufacturing activities, consume raw materials in a significant manner, nor produce any harmful by-products, hazardous waste or effluent discharges.

REPORTING PERIOD

The reporting period for SS2023 is from 1 January 2023 to 31 December 2023 (“**FYE 2023**”), unless specified otherwise. SS2023 provides comparison statistical data for certain disclosures to establish trend lines where necessary and to enable readers to better track and understand the comparative performance achieved.

REPORTING STANDARDS & GUIDELINES

VSTECS’ Board of Directors (“**Board**”) acknowledges that this SS2023 is prepared in reference to the following guidelines and framework listed below:

Principal Guidelines

- Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) Main Market Listing Requirements
- Bursa Malaysia’s Sustainability Reporting Guide, Second Edition

Additional References

- Global Reporting Initiative (“**GRI**”) Standards

FORWARD-LOOKING STATEMENTS

Any forward-looking statements such as targets, future plans and forecast figures are based on reasonable current assumptions. As our forward-looking information was derived based on currently available data and information as well as present operating environment conditions, it may change or vary based on unforeseen circumstances beyond our control.

STATEMENT OF ASSURANCE AND LIMITATIONS

This Statement has not been subjected to any specific review by our internal auditors or external assurance by independent parties. VSTECS has instead garnered internal review of non-financial, sustainability-related data from the respective data owners. We aim to garner external assurance for non-financial and sustainability data in the future.

VSTECS remains aware that data-gathering challenges still exist for certain indicators. We are continually applying more robust data tracking and gathering mechanisms for improved reporting going forward. We will be considering the feasibility of including value chain related data in future reports.

SUSTAINABILITY STATEMENT

cont'd

REPORT AVAILABILITY & FEEDBACK

SS2023 can be downloaded from our corporate website at https://vstecs.listedcompany.com/ar_2023.html. Limited printed copies are available as we work towards minimising our paper consumption and thus reducing environmental impacts.

Any feedback, comments, insights and queries can be directed to: <https://www.vstecs.com.my/enquiry.php>

FYE 2023 HIGHLIGHTS & ACHIEVEMENTS

GOVERNANCE



- **ZERO** confirmed corruption or harassments cases reported
- **ZERO** fines or penalties from regulatory authorities
- **57%** Independent Directors

ENVIRONMENT



- **20%** reduction in indirect CO² emissions from electricity consumption
- **41%** of energy consumed was generated from solar power
- **26%** reduction in paper consumption

SOCIAL



- **50%** Women in the workforce
- **100%** local employees

ECONOMIC



- **22%** 5 Year PATAMI CAGR
- **35%** Dividend Payout amounting to RM23.5 million

SUSTAINABILITY WITHIN THE CONTEXT OF VSTECs

As a leading distributor of ICT products for consumers and enterprises, the strength of our business network and channels plays a continuously vital role in supporting the national economy through digital enablement. The products we distribute and the services we implement form the building blocks of mission-critical infrastructure in enabling uninterrupted public, enterprise and social activities. The digital transformation and acceleration of virtual presence communications have a positive effect of reducing resource consumption such as paper, physical commuting and transportation and subsequently its impact on the environment.

SUSTAINABILITY STATEMENT

cont'd



Company Vision

- To be the leading provider of Information & Communication Technology products and value-added services.
- We strive for sustainable growth to achieve optimum returns to shareholders.

OUR MISSION



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



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



We shall have an environment to develop, motivate and reward our staff by providing training and incentives for productivity.



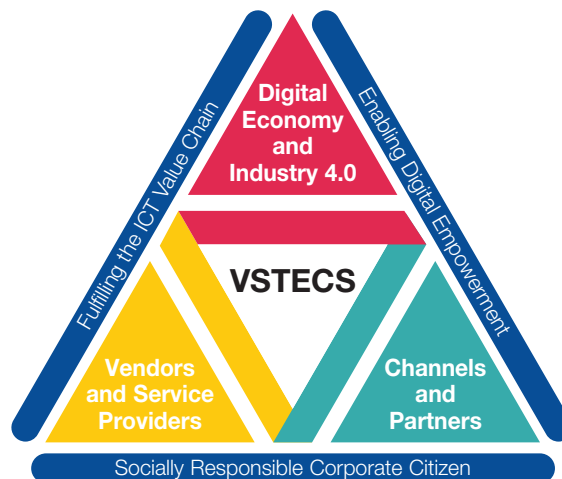
We shall achieve the profitability for future growth and to give an adequate return to shareholders.



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

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.**

Malaysia ICT Industry and Community



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

- Workforce and human capital;
- Brand vendors/Principals whose brand and products we represent;
- Channel and service partners;
- Non-trade suppliers and service providers;
- Shareholders;
- Government and regulatory authorities; and
- Communities where we operate.

SUSTAINABILITY STATEMENT

cont'd

STAKEHOLDERS ENGAGEMENT

The Group believes that consistent communication and engagement with stakeholders are essential to the success of our business. We maintain ongoing engagements, conduct open communications, obtain feedback, and exchange ideas with the relevant stakeholders in a timely, transparent, and effective manner to foster trust, support, as well as mutual understanding. We engage with our stakeholders through a range of channels to collect valuable input on a variety of topics, including ESG matters.

We review and assess our stakeholder engagement methods from time to time to determine their effectiveness and sufficiency. Stakeholder engagement approaches are adjusted where necessary to suit the needs and objectives of the Group and its stakeholders.

| Stakeholders | Areas of Concerns | Engagement Channels |
|-----------------------------------|---|---|
| Workforce & Human Capital | <ul style="list-style-type: none"> • Career development • Job security • Remuneration and benefits • Training opportunities • Workplace health and safety • Labour and human rights • Work-life balance • Recognition and incentives for Employees' children's achievements | <ul style="list-style-type: none"> • Annual staff performance evaluation • Training Programmes • Company intranet, email, memos • Employee engagement surveys • Company related events and bulletin • Annual Employee Children Education Incentive Scheme |
| Brand Vendors/Principals | <ul style="list-style-type: none"> • Sales Target Performance • Ethical Business Practices • Distribution Infrastructure | <ul style="list-style-type: none"> • Scheduled performance review sessions • Supplier audit and evaluation • Product sharing events and networking |
| Customers/Channel Partners | <ul style="list-style-type: none"> • Product and services quality and safety • Customer relationships • Privacy protection • After Sales Services | <ul style="list-style-type: none"> • Scheduled reviews & project tracking milestones • Annual customer satisfaction survey • On-site visits • Training & Support |
| Shareholders and Investors | <ul style="list-style-type: none"> • Business outlook & growth strategies • Financial performance • ESG practices and sustainability | <ul style="list-style-type: none"> • Annual General Meeting • Extraordinary General Meeting • Quarterly financial announcements & Annual reports • Corporate website • Bursa announcements • Investor Briefings |
| Government/Regulatory Authorities | <ul style="list-style-type: none"> • Compliance • Health, Safety and Environment ("HSE") practices • Certifications and awards • Corporate governance | <ul style="list-style-type: none"> • Audits & Inspections • Dialogues • Meetings • Compliance Committee |
| Community | <ul style="list-style-type: none"> • Job and business opportunities • Community support & development • ESG practices & commitments | <ul style="list-style-type: none"> • Recruitment • CSR activities • Social outreach programmes • Internships |

SUSTAINABILITY STATEMENT

cont'd

SUPPORTING UNITED NATION'S 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 environmental, social, and economic aspects. SDGs help to ignite long-lasting positive changes 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>Economic</p>  |  | <p>Creation of Jobs and Supporting the Local Economy</p> <ul style="list-style-type: none"> Total of 410 local workers employed We source our operational and administrative supplies and services entirely from local vendors and service providers <p>Delivers shareholders' returns</p> <ul style="list-style-type: none"> Revenue and PATAMI 5-year CAGR of 11% and 22% Average Dividend Payout 35% last five years FYE 2023 Return on Equity of 16% <p>Customers' and Vendors' Satisfaction</p> <ul style="list-style-type: none"> Annual audit and evaluation |
| <p>Environment</p>  |  | <p>Responsible Consumption</p> <ul style="list-style-type: none"> Electricity withdrawal from main grid reduced by 20% YoY in FYE 2023 <p>Green Energy</p> <ul style="list-style-type: none"> Solar Power System constituted 41% of total electricity consumed in FYE 2023 <p>Setting Tangible Targets to Reduce Electricity and Resource Consumption</p> <ul style="list-style-type: none"> Reduce grid electricity consumption by 5% by 2028, using 2023 as the baseline Reduce paper consumption by 5% by 2028, using 2023 as the baseline Reduce water consumption per employee to 7m³ by 2028 Recycle at least 50% of total waste <p>Waste Management</p> <ul style="list-style-type: none"> Implemented "3Rs" principles |
| <p>Social</p>  |  | <p>Safe & Healthy Working Environment</p> <ul style="list-style-type: none"> Zero work-related fatalities over the past 9 years Programmes to promote mental and physical health <p>Gender Equality</p> <ul style="list-style-type: none"> Maintaining a 50% male-female composition among total employees <p>Employee Development</p> <ul style="list-style-type: none"> Technical trainings & personal skills development Recognition of employees' children's achievements in both academic and non-academic aspects <p>Local Communities</p> <ul style="list-style-type: none"> Local employment commitment Social programmes and community events |

SUSTAINABILITY STATEMENT

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GOVERNANCE

Sustainability Governance Structure

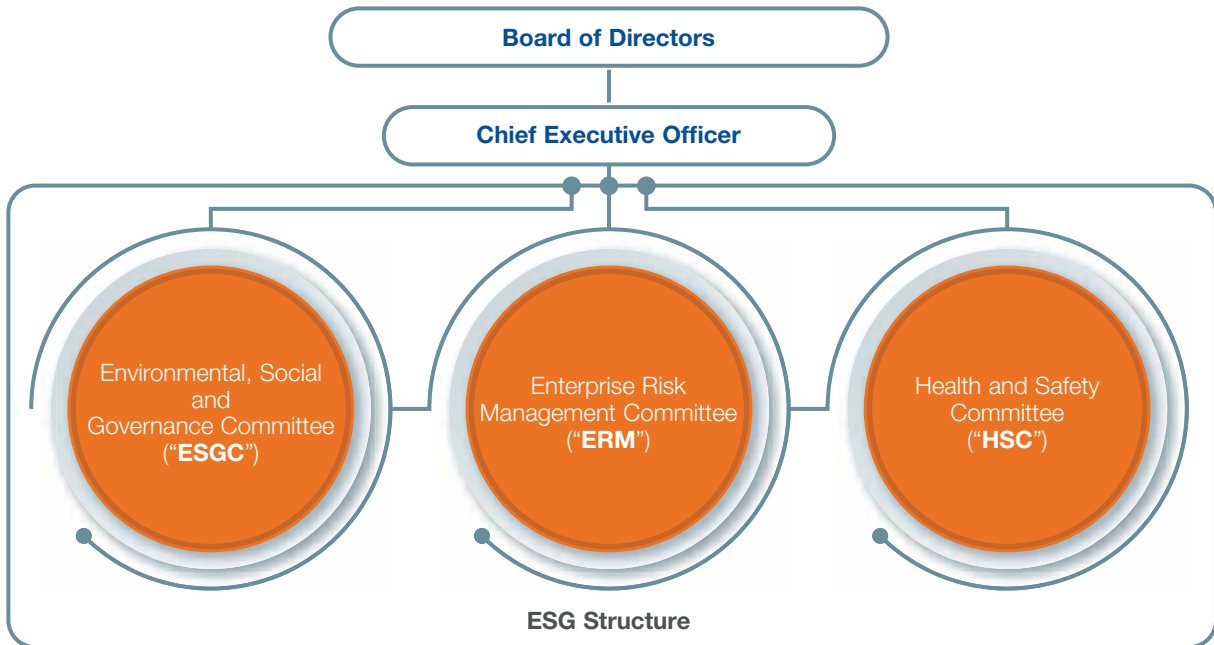
The Group is well aware that a strong sustainability governance structure is essential in our journey towards becoming a socially and environmentally responsible company. Besides that, a solid governance structure will ensure that VSTECS can implement and monitor our sustainability strategies successfully.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

Sustainability is governed at the highest level by the Board. The Board also discusses and approves important updates and/or the creation of current and new sustainability policies, activities and other initiatives. We have an established ESG structure comprising the following:

- Environmental, Social and Governance Committee (“**ESGC**”)
- Enterprise Risk Management Committee (“**ERM**”)
- Health and Safety Committee (“**HSC**”)

Our ESG structure reports to and is headed by our Group CEO and Executive Director, Mr. Soong Jan Hsung.

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



| Governing Body | Head | Roles and Responsibilities |
|----------------|-------------------------|--|
| Board | Chairman | <ul style="list-style-type: none"> • Advisory body overseeing the Group’s overall Sustainability Governance; and • Scrutinising, approving and monitoring the overall sustainability initiatives. |
| ESG Structure | Chief Executive Officer | <ul style="list-style-type: none"> • Spearheads the overall Group sustainability initiatives, supported by: <ul style="list-style-type: none"> ➢ Enterprise Risk Management Committee; ➢ Environmental, Social and Governance Committee; and ➢ Health and Safety Committee. |

SUSTAINABILITY STATEMENT

cont'd

| Governing Body | Head | Roles and Responsibilities |
|----------------|---------------------------------|---|
| ERM Committee | Chief Executive Officer | <p>Meets on a quarterly basis:</p> <ul style="list-style-type: none"> To identify both external and internal risks which may affect the business in material manner; To evaluate, prioritise, and assess such impacts; and To formulate the necessary strategic planning, monitoring, control and mitigation to be put in place. |
| ESGC | Chief Financial Officer | <p>Reports to the CEO:</p> <ul style="list-style-type: none"> To identify, evaluate and manage environmental impacts arising from business operations; To identify, address and improve on workforce environment and social well-being; and To oversee the compliance, governance of operational and marketing activities as well as financial activities and reporting, in adherence to accounting standards. |
| HSC | Senior Manager & Safety Officer | <p>Reports to the CFO:</p> <ul style="list-style-type: none"> To monitor and enforce Occupational Safety and Health Act (“OSHA”) regulations and workplace safety; and To continuously improve awareness on workplace safe-practices and staff health. |

Presently, the remuneration and KPIs of the Chief Executive Officer (who is also an Executive Director), Chief Financial Officer, Chief Information Officer and some of the Senior Leadership team are partially linked to the achievement of the Group’s ESG targets which includes the improvement of VSTECs’ ESG performance.

Governance, Risk Management & 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 allows 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, while the Group’s systems, processes, procedures, and policies are designed to foster ethical behaviour as a culture within our organisation.

The Board maintains a robust risk management framework and internal control systems to safeguard assets, business, and our shareholders’ investment. The Board ensures the integrity of these frameworks and internal control systems are maintained through regular reviews and ongoing risk management updates. The ERM Committee is chaired by our Executive Director and CEO, Mr. Soong Jan Hsung.

These reviews are performed regularly to identify, assess and manage the risks faced by the Group. Reviews are done holistically to also address major risk areas of concern in the sustainability landscape, such as those from the areas of governance, social, economic and environmental risks. Identified sustainability-related risks are updated. More details can be found in our Statement of Risk Management and Internal Control in this Annual Report.

Our Code of Conduct, Code of Ethics, Anti-Bribery and Corruption Policy, and Whistleblowing 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: <https://www.vstecs.com.my/>

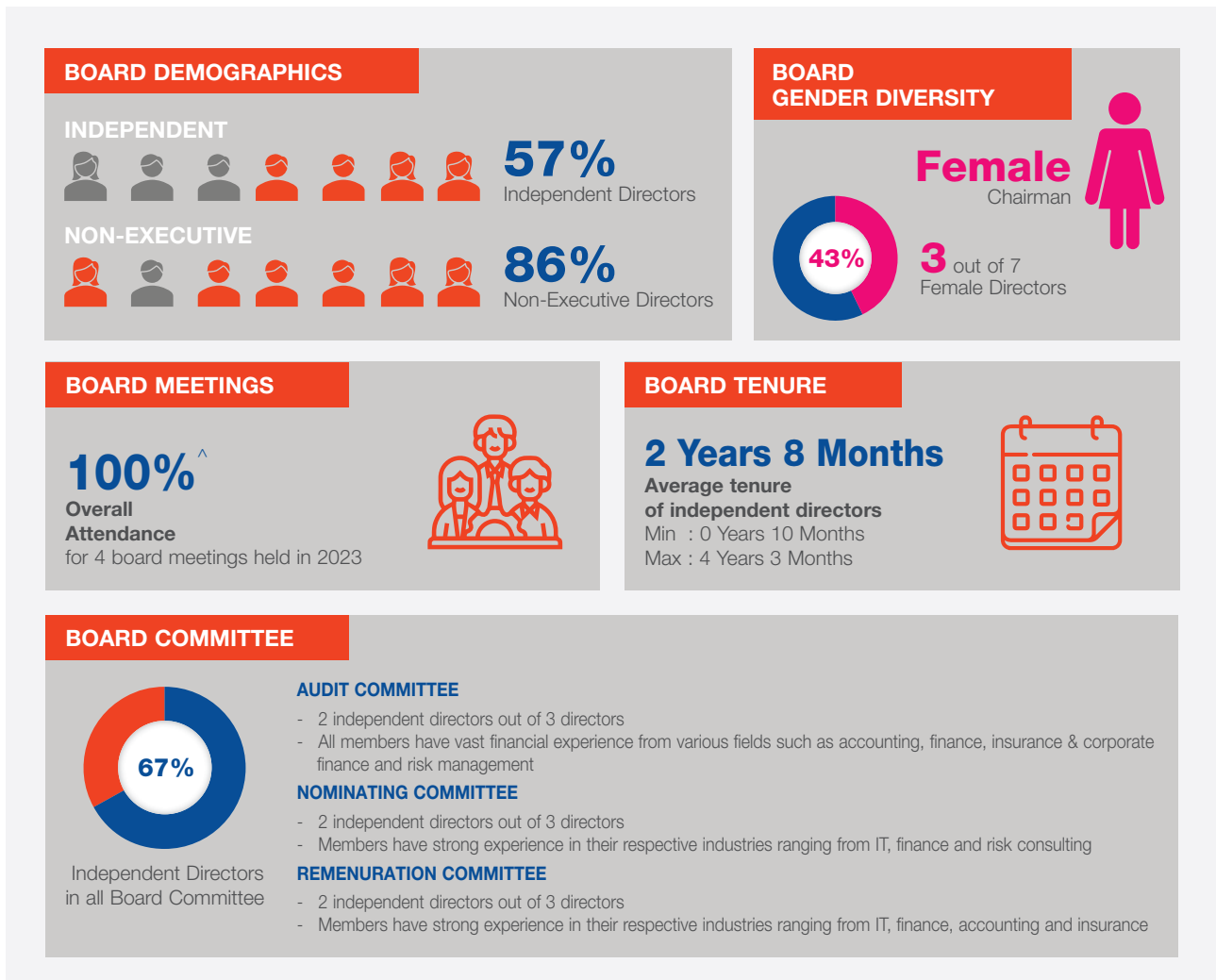
SUSTAINABILITY STATEMENT

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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.

Information pertaining to the composition of the Board, their skillsets and professional experience as well as gender is provided in the Directors' Profile section of the Annual Report.



[^] Madam Josephine Phan Su Han was appointed as a Board member on June 15, 2023, and has attended all the subsequent board meetings

Additional information on the specific role of the Board in providing the necessary stewardship of the Group and championing good corporate governance is provided in the Corporate Governance Report for FYE 2023 which forms part of this Annual Report.

SUSTAINABILITY STATEMENT

cont'd

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.

Our Code of Ethics is formulated for the Board and each Director to be committed on areas of ethical risk; to provide guidance to Directors to help them recognise and deal with ethical issues; to provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability. Besides that, we have an institutionalised Code of Conduct which is aimed at Directors, management and employees of the Group. Both of these Codes were designed to enhance the standard of corporate governance and corporate behaviour with the intention of, amongst others upholding the spirit of professionalism, integrity, responsibility, loyalty, commitment, dedication, transparency, and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing a company. These codes are also communicated to our employees via the Company's Employee Handbook with each employee confirming their understanding and acknowledgment.

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.

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.

100% of Board members, Management personnel and employees have confirmed their receipt and understanding of the ABC policy.

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 and Operational 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 on the results of such assignments.

Responsible Supply Chain Practices & Supply Chain Governance

As a leading ICT product distributor, supply chain management is essential. Our product vendors, who are mostly brand vendors/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.

VSTECs ensures good and fair governance and business practices are stringently observed at all times in its supply chain for non-trade suppliers. This is mainly propagated through the Notice of ABC Compliance Acknowledgement for compliance purposes, as well as the necessary screening of suppliers by the relevant personnel and/or departments. We maintain a supplier list that is updated regularly. Furthermore, the necessary due diligence on new and existing suppliers is done by screening them thoroughly prior to any engagement. This ensures that VSTECs only deals with external parties that follow an acceptable standard of integrity in the conduct of their business.

SUSTAINABILITY STATEMENT

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Group procurement of non-trade suppliers (businesses providing goods that do not form part of our trade inventories) administrative and operational supplies and services are subject to a stringent procurement policy based on tiered approval matrices and open-tender Request for Proposal (RFP) evaluation processes. The procurement committee includes members from the finance department, the ERP/IT department, and the relevant departments in which the purchased supply or services is intended to serve. We evaluate non-trade suppliers based on various criteria, including their commitment towards minimising environmental impact and their management of energy and resource use. Additionally, we ensure that our non-trade suppliers strictly adhere to human rights laws concerning minimum wage, child and forced labour, working hours, as well as health and safety standards of their employees.

Our Brand Vendors/Principals

Within the context of our core business, most of our brand vendors/principals are well-established and well-known international brands. The majority of our brand vendors/principals operate in the U.S. and other developed countries, which have the highest standards 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. By way of our distributorship agreements with leading U.S. brand vendors/principals, we maintain compliance with the following legislations:

- US FCPA (Foreign Corrupt Practices Act);
- USC Title 19 on Forced Labour;
- UK Modern Slavery Act 2015; and
- ILO, Protocol of 2014 to the Forced Labour Convention, 1930.

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

The Group strives always to carry products and represent brand vendors/principals that are of high reputation 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, reliability, and certified by the relevant governing standards (i.e. SIRIM, MCMC);
- The brand vendors/principals 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/Resellers)

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/principals 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 suppliers, and other service providers. The acknowledgement includes a pledged awareness of Section 17(A) of the MACC Act 2009 on corporate liability.

SUSTAINABILITY STATEMENT

cont'd

Regulatory Compliance

VSTECs stringently complies with established policies, protocols, government laws and industry standards at all times. Therefore, in FYE 2023, we recorded zero (0) fines or actions from regulatory authorities for non-compliance with law and regulations, environmental and social standards, corporate integrity, anti-corruption, or corporate governance.



Non-compliance with law & regulations in FYE 2023

We are committed to ensuring that all our business operations strictly adhere to relevant regulations. To achieve this, we have established mechanisms such as an Enterprise Risk Management Committee to identify potential business risks and implement effective mitigation strategies.

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 and transactional data are categorised and only made available to specific job roles requiring access to such information.

Data Security and Protection Policy

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. To achieve this, we actively engage in surveillance practices for system security, conducting periodic third-party penetration testing, and providing comprehensive cybersecurity training to our staff. In addition to these measures, to prevent any data loss, we undertake system redundancy tests including fail over testing activities and company issued notebooks were secured with HDD/SSD encryption. In FYE 2023, we recorded zero (0) substantiated complaints concerning breaches of customer privacy. We also recorded zero (0) identified leaks, thefts, or loss of customer data.

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. In FYE 2023, we incurred zero (0) environmental fines and penalties.

While climate change does cause negative impacts, it may also present us with opportunities in terms of recalibrating our business model and strategy, re-evaluating materiality matters and mitigating our output of emissions. This has also led us to craft new environmental pledges and commitments that may better address climate change, since we are committed to reducing our climate change impacts and emissions where possible.

Air and Greenhouse Gases

As our business model is mainly in the trading of ICT products, Enterprise Systems, and provision of ICT Services, our operation do 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.

GHG emissions from the staff commute

| | FYE 2021 | FYE 2022 | FYE 2023 |
|--|----------|----------|----------|
| Car mileage claimed by eligible employees (km) | 150,762 | 246,599 | 342,942 |
| Estimated CO ₂ generated* due to on-the-job travel (kg) | 19,599 | 32,058 | 44,582 |

* Based on an estimation of a typical private passenger car's CO₂ emissions rating of 130g/km (WLTP testing protocol) (Page 12 of <https://www.globalfueleconomy.org/media/791561/gfei-global-status-report-2020.pdf>)

The increase in CO₂ generation from on-the-job travel was due to the higher travel activities resulting from the exit of lockdown and the resumption of physical human interactions post-pandemic.

Estimated existing Carbon footprint due to electrical energy consumption from the main grid

| | FYE 2021 | FYE 2022 | FYE 2023 |
|--|----------|----------|----------|
| CO ₂ -eq emissions*** due to main grid electricity consumption (kg) | 551,809 | 502,653 | 404,022 |

*** 2021 TNB's Electricity Supply CO₂-eq emission is 758g-CO₂e/kWh; CO₂-eq: Carbon dioxide equivalent (Malaysia Energy Information Hub)

Our group's CO₂-eq emissions from electricity consumption at the main office continued to decline in FYE 2023 due to a reduction in electricity withdrawal from the main grid. This reduction was achieved through the partial generation of our electricity requirements by our 290 kWp rooftop Solar Power System (SPS). The CO₂-eq emissions reduction resulting from this renewable energy project more than offsets the increase in estimated CO₂ emissions generated from staff commuting in 2023.

SUSTAINABILITY STATEMENT

cont'd

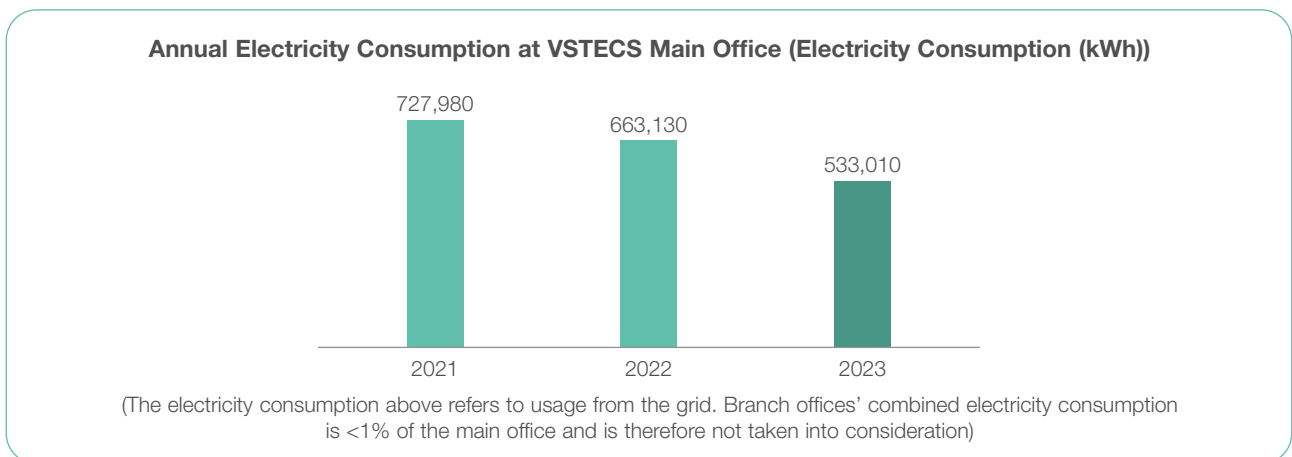
Responsible Resources Consumption

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 72 kWh/m²/year for FYE 2023, well below the Green Building Initiative (“GBI”) benchmark of 150kWh/m²/year. The chart below shows the electricity consumption from the grid at VSTECs headquarters during the reporting period.

Annual Electricity Consumption at VSTECs Main Office



We acknowledge the pressing energy-related challenges facing our society and are committed to proactively addressing these issues through responsible consumption as well as continuously undertaking initiatives to improve electricity efficiency.

In August 2022, we completed the installation of a 290 kWp (KiloWatt-peak) rooftop Solar Power System (“SPS”). Our SPS is able to generate approximately 360,000 kWh (KiloWatt-hour) of electricity per year, enabling us to reduce our electrical consumption from the main grid. Our target is to achieve at least 35% of our energy consumption supplemented by our SPS. In FYE 2023, our SPS generated 41% of total electricity used in our operations.

ENVIRONMENTAL IMPACT SINCE INSTALLATION



444 METRIC TONNES OF CO₂ REDUCTION



39,588 MONTHS OF USAGE
For a 20W light bulb



44k BAYAN TREES
1 Bayan tree absorbs ~10kg equivalent of CO₂ per year

Despite substantially reducing electricity consumption from the grid by 20% in FYE 2023 through the SPS, we remain committed to minimising our grid electricity usage. As part of this ongoing effort, VSTECs has set a target to reduce grid electricity usage by 5% over the next five years, from 2024 to 2028, using 2023 as our baseline year. This commitment underscores our dedication to sustainability and reducing our carbon footprint.





SUSTAINABILITY STATEMENT

cont'd

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 saving
- 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

In addition to this, our employees adhere to simple but important energy-saving protocols at the office, such as:

| | | | |
|--|---|---|---|
|  <p>Turn off lights in office area and meeting rooms when not in use</p> |  <p>Keep air conditioner in ideal temperature and to turn off when not in use</p> |  <p>Switch off computers and monitors at the end of each working day</p> |  <p>Reduce printer and paper usage and encourage go paperless</p> |
|--|---|---|---|

Electricity Consumption per person and BEI

| | FYE 2021 | FYE 2022 | FYE 2023 |
|---|-----------------|-----------------|-----------------|
| Headcount (Staff + third party personnel) | 420 (394+26) | 423 (393+30) | 436 (410+26) |
| Energy [^] utilised per person (kWh/person/year) | 1,733 | 1,568 | 1,223 |
| Building Energy Intensity ("BEI") [^] (kWh/m ² /year) (Total building operational floorspace = 7400 m ²) | 98 | 89 | 72 |

([^] calculated based on electricity consumption from the grid)

Currently, we are operating well below the Green Building Initiative ("GBI") benchmark of 150kWh/m²/year and will undertake initiative to continuously improve BEI further.

Paper

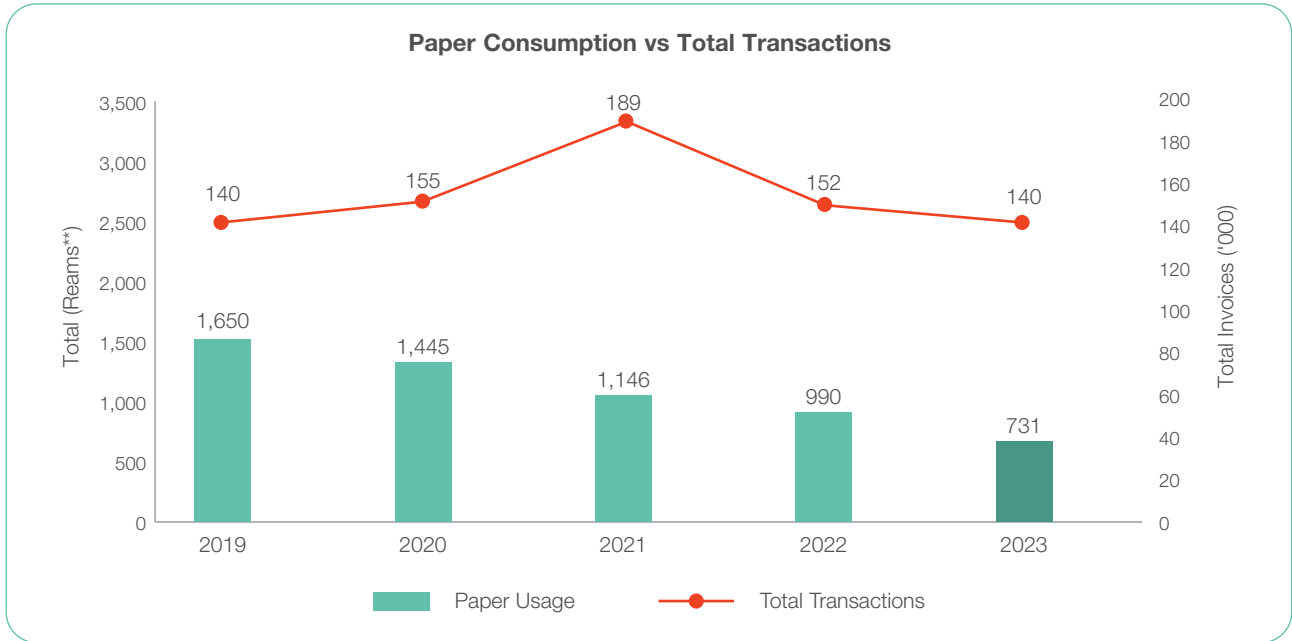
Paper consumption at all administration levels has tremendously decreased over the past five years. The improvements came about after the implementation of the following digitalisation programmes:

- e-Document Handling Programme for Internal and External Processes
- Increased transactions sales via B2B and settlement through payment gateway

SUSTAINABILITY STATEMENT

cont'd

Since 2019, paper consumption has reduced by 56% which reflects the Group's commitment to continuously promote adoption of paperless operations as part of ongoing digital transformation efforts.

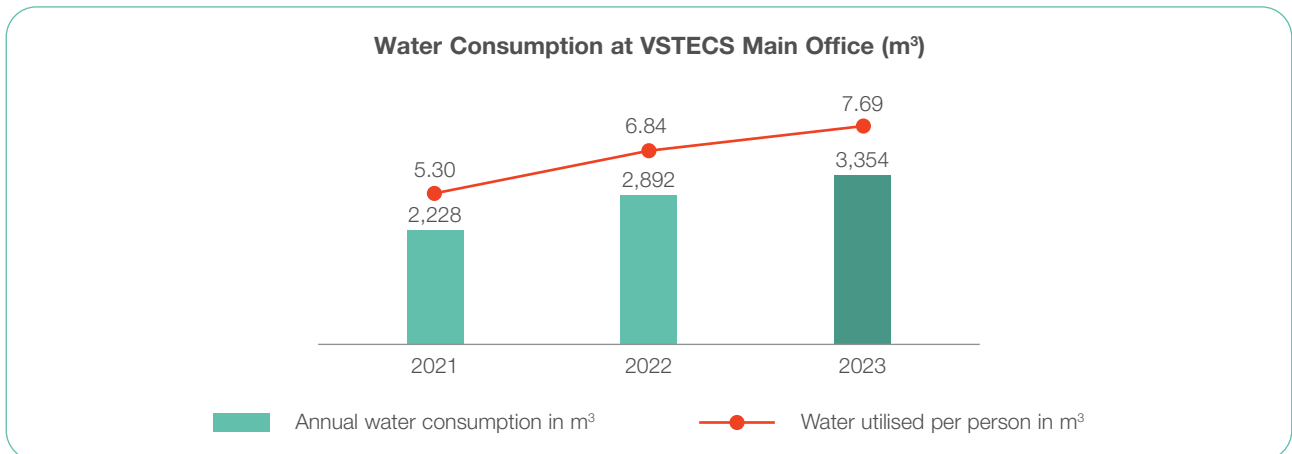


** 1 ream = 500 sheets of 70gsm A4 size paper

The Company has plans to further digitalise its processes and has set a target to reduce its paper consumption (measured in reams), by an additional 5% over the next five years from 2024 to 2028, with 2023 as the baseline year.

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. In terms of managing water consumption, our employees are not only made aware of the importance of saving water but are also highly encouraged and periodically reminded to turn off water-based appliances after use. The Group always remains on the lookout for more ways to conserve water.



SUSTAINABILITY STATEMENT

cont'd

In FYE 2023, the water consumption increased by 16% compared to FYE 2022 mainly due to higher proportion of employees' working from office as compared to work from home.

We do not engage in manufacturing activities and our water consumption primarily caters for staff hygiene, canteen food preparation, cleaning and landscaping, resulting in already minimal usage. However, we are dedicated to further enhancing our sustainability practices. Thus, we have established a target to decrease water consumption per employee to 7m³ by 2028. Through proactive measures and efficient resource management, we aim to reduce our environmental impact while maintaining essential operations.

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.

Water Usage and Discharge

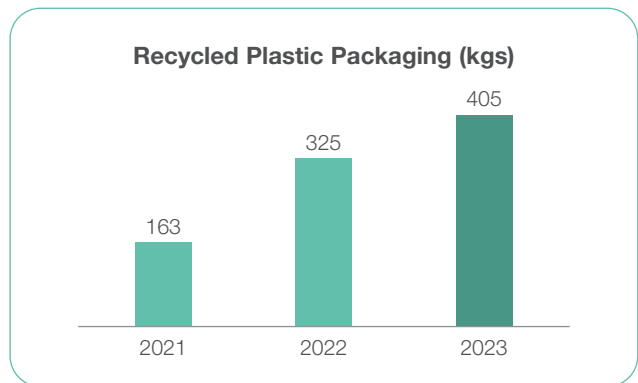
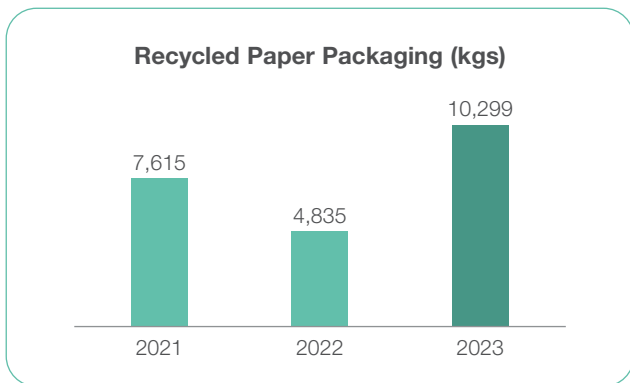
There is zero (0) water discharge from the Group's operations. The wastewater of the Group comes entirely from in-building activities such as staff hygiene and sanitary facilities, canteen food preparation and cleaning activities within the office building. The other notable usage of water is for the basic maintenance of landscaping within the building exterior compound.

Waste Management

Given that we do not engage in manufacturing and our operations are not resource intensive, we do not produce large quantities of scheduled or unscheduled waste. 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. We do not generate any industrial, scheduled (e.g. chemical, toxic) waste.

Warehouse Packaging Materials Recycled

We uphold the principle of "3Rs", namely, Reduce, Reuse, and Recycle. In FYE 2023, 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. Moving forward, we will commence tracking of our recycling rates with the aim of achieving a 50% waste recycling rate.



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



SOCIAL

Our Human Capital

The Group regards talent as one of its core competencies and fundamental to its ongoing success. 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.

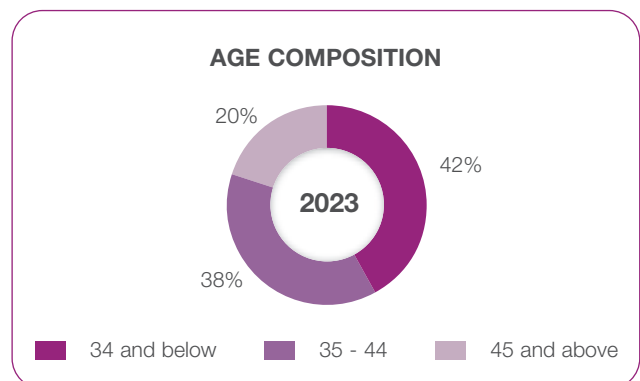
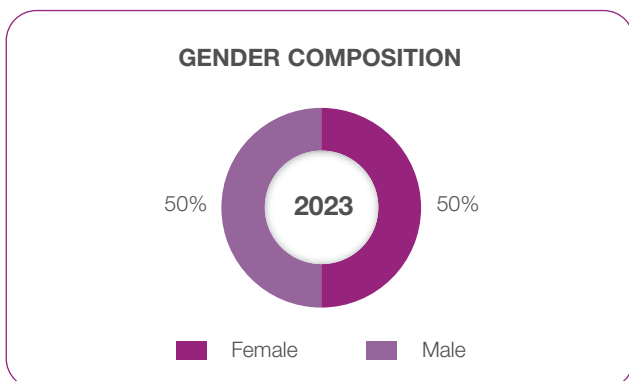
All policies, fair labour practices, and Employee Handbook are published on our employee intranet which is accessible by all employees. The Group strictly complies with all the relevant labour laws and regulations in Malaysia which is the only jurisdiction where we carry out operations.

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. Where possible, we believe in supporting the community by employment of under-privileged groups, including those from deprived backgrounds, having poor social status and with no formal education or qualifications.

Employee Composition

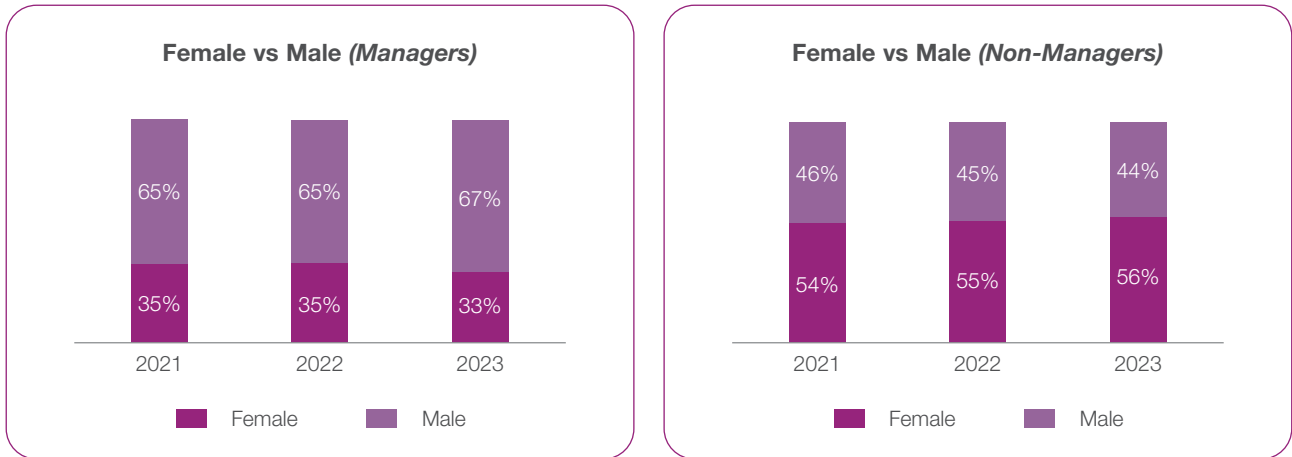
The core of any organisation is its people, and hence, we strongly adhere to the motto that “Technology is a tool, people make the difference”. We are an equal opportunity employer based on meritocracy and performance. As of 31 December 2023, the Group has the following workforce composition with a total of 410 employees.



SUSTAINABILITY STATEMENT

cont'd

We are continuously strengthening our approach in promoting diversity among our workforces. Hiring and talent development best practices have been implemented to strengthen our diversity and create opportunities for a broad range of employees. As of 31 December 2023, our workforce maintains a gender composition of 50% female and 50% male. The graphs below show the gender composition of managerial and non-managerial employees:



We are dedicated to actively contribute to the local community and economy by prioritising local recruitment. Our unwavering commitment is to maximise local hiring, fostering the robust development of social well-being and society within our locality. 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 2023, our workforce was made up of 100% local hires. Our full-time employees' turnover rate for FYE 2023 is approximately 14.85%. We had no temporary staff during the year.

Employee Training & Talent Development

Employee training and development remains one of the Group's main priorities. 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. The Group provides structured and holistic staff training and development to enhance employees' skills and capabilities, address competency gaps, and prepare them for future positions within the Company, as part of our succession planning and career progression strategy.

Our training programmes begin when 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 respective supervisor(s). This practice ensures all our employees understand their respective tasks and responsibilities including applicable health and safety standards.

SUSTAINABILITY STATEMENT

cont'd

Employees' training needs are identified through the Training Needs Analysis and also by recommendation of respective Head of Departments as and when necessary. 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 2023 included training sessions on managerial skills and leadership, occupational safety and health, ergonomic training, soft skills courses, ICT training, and technical courses on products.



3,719 total hours
of training hours conducted



13.28 hours
average training hours per employee

Total investment in training and development (RM) for FYE 2021, FYE 2022 and FYE 2023

| YEAR | FYE 2021 | FYE 2022 | FYE 2023 |
|-----------------------|----------|----------|----------|
| Total investment (RM) | 95,354 | 96,696 | 315,893 |

Occupational Health and Safety

We recognise that a safe and healthy workplace is crucial to employee wellbeing and is also our responsibility. The Group is committed to providing a safe and healthy working environment to all employees and subcontractors through diligent internal processes and procedures and creating a work culture with high safety awareness.

The HSC is part of our ESG Structure framework, which is ultimately overseen by the Board. HSC is headed by the Senior Manager and Safety Officer and reports to the CFO, ensuring 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.

The Group has established an Environmental, Health and Safety Management policy aimed at eliminating or minimising the risks to the health, safety, and welfare of all employees, ensuring that all work activities are performed safely. This policy also communicates the Group's target of achieving zero (0) injuries in our operating locations. All employees are required to observe the proper practice of safety and health working procedures in their daily activities.

SUSTAINABILITY STATEMENT

cont'd

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 2023, we undertook the following Health and Safety related trainings:

| | | |
|---|---|---|
| <p>Fire Awareness Talk & Live Demo Session</p> <p>Creating awareness on how to manage a fire emergency, conducted by the Fire Preventor's Society.</p> | <p>Fire Safety Training @ Bomba Sungai Buloh</p> <p>Full day training attended by 22 Emergency Response Team members, on emergency response toward fire outbreak in workplace.</p> | <p>Fire Drill</p> <p>Practising evacuation procedures to make sure all staff perform evacuation safely.</p> |
| <p>Blood Donation Drive</p> <p>135 employees participated as donors making this event a resounding success, organised with National Blood Centre (Pusat Darah Negara).</p> | <p>Automated External Defibrillators (AED) Training</p> <p>19 Emergency Response Team members attended AED training to provide hands-on instruction on the correct usage of the devices.</p> | <p>Office & Compound Walk</p> <p>Inspection walks to identify any violations or potential hazard areas on the HQ premises. Report and remedial action plans were generated to address the findings, ensuring implementation, and facilitating continuous improvement in safety measures.</p> |



SUSTAINABILITY STATEMENT

cont'd

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 over the past nine (9) years.



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 2023. We monitor our safety performance by tracking the number of incidents and injuries, and are proud to report that for the last five (5) financial years, VSTECS has maintained a record of zero (0) lost time injuries. We sustained our record of zero (0) work-related fatalities since 2015.

Report of Work-related Injuries

| Type of Injuries | FYE 2021 | FYE 2022 | FYE 2023 |
|---|----------|----------|----------|
| 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 | - | - | - |
| No. of other injuries | - | - | - |


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 FYE 2023, 100% of employees received appraisals.


SUSTAINABILITY STATEMENT

cont'd


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**




HOSPITALISATION
& SURGICAL




CLINICAL &
SPECIALIST MEDICAL




PERSONAL ACCIDENT
INSURANCE




TERM LIFE
INSURANCE




HEALTH
SCREENING*




DEPENDENT
MEDICAL CLAIM




**IN-HOUSE
FACILITIES**




INDOOR
PARKING




CAFETERIA



PRAYER
ROOM



LACTATION
ROOM



MEAL
SUBSIDIES*

* for selected categories of employees

Company Retreat

In July 2023, VSTECS organised a company retreat to Pulau Tioman where 281 employees participated. This initiative provided a break from daily routines, fostering team cohesion through relaxation and team-building activities. By investing in employee satisfaction and fostering a supportive culture, the Company aims to enhance productivity and engagement.



SUSTAINABILITY STATEMENT

cont'd

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 and 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 whistleblowing mechanism. During the financial year under review, no incidents of human rights or labour standard violations were 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 Organization'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.

Child/Forced labour: The Group does not condone any form of child, indentured or involuntary labour in our operations. We comply with and adhere to the relevant employment act(s) and minimum age provisions of applicable laws and regulations in our hiring practices. We are committed to upholding children's rights, with a zero-tolerance stance on violence, exploitation and abuse of children.

Work hours, wages and benefits: The Group is committed to 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. We continue to encourage workers not to work excessively, ensuring working hours are within the set time as per labour regulations, including overtime.

Freedom of Association: The Group supports the right of employees and stakeholders to freedom of association as provided for in the laws of Malaysia. The Group also respects employees' rights to association to freely 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 interference in a professional capacity.

Whistleblowing Mechanism

We take workplace bullying very seriously. We provide all our employees with access to a confidential reporting channel and a whistleblowing point of contact for child labour, forced labour, discrimination, bullying and harassment at the workplace. Anonymous reporting and whistle-blower protection assurances are available on the corporate website. During the financial year, there were zero (0) reports of discrimination incidences.

Workplace discrimination or harassment reported in FYE 2023

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

Whistle-blowing case reported in FYE 2023

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

SUSTAINABILITY STATEMENT




cont'd

Corporate Social Responsibility (“CSR”)

We maintained our role as a responsible corporate citizen in FYE 2023, continuing to help communities in need to the best of our ability, more so given the rising socioeconomic difficulties emerging in society. Forging a sustainable future for both our business and society is done by supporting local communities with noteworthy CSR initiatives carried out via volunteerism and charitable contributions. With a focus on promoting education, sports, health, and providing assistance to underprivileged, VSTECS hopes to bring significant impact to the communities it serves.



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, places great emphasis on the value of volunteering. Our employees can enrich their personal and professional lives through such efforts. By participating in volunteer activities, they can forge meaningful relationships, experience deep job satisfaction, and promote inclusivity.

In FYE 2023, we invested approximately RM69,000 in our social initiatives. An overview of our community initiatives in FYE 2023 is outlined below.

| Initiative | Description of the Initiative | Beneficiaries |
|--|---|--|
| VSTECS & Dell Technologies Fun Run 2023 | Organised a Charity run with the aim to raise funds for donation. A total of 614 participants, including partners, vendors and VSTECS employees participated. | The Comforter’s Hope Kuala Lumpur and Selangor Association (TCH) and The National Autism Society of Malaysia (NASOM) |
| |  |  |
| Renewal & Adoption of Double Swings in Taman Tugu, Kuala Lumpur | This initiative emphasised VSTECS’s move to promote the well-being of both its employees and the public by encouraging healthier lifestyles. | General public who uses the park including VSTECS employees |
| Donation to Prostate Cancer Association | Collaborated with our business partner, Mesiniaga Berhad, to promote the awareness related to prostate health as well as provide donation to Prostate Cancer Association. | Prostate patients |
| |  | |

SUSTAINABILITY STATEMENT

cont'd

| Initiative | Description of the Initiative | Beneficiaries |
|--|--|-------------------------------|
| <p>Donation to Hao Dak Old Folks Home Kuala Lumpur</p> | <p>Provided support to Hao Dak Old Folks Home by covering 2 months rental, groceries, table and chairs as well as a new laptop and printer to assist in the daily operations of the home.</p>   | <p>Hao Dak Old Folks Home</p> |
| <p>Employees' Children Education Scheme</p> | <p>Recognition of the exceptional achievements of employees' children in both academic and non-academic.</p> | <p>VSTECs employees</p> |
| <p>Corporate Mental Wellness Programme & Cholesterol Test</p> | <p>Mental health talk and various activities designed to raise awareness of mental health to all employees.</p> <p>89 staff participated in on-site basic health screenings and on-site counselling session provided by Registered Licensed Counsellor.</p>   | <p>VSTECs employees</p> |

SUSTAINABILITY STATEMENT

cont'd

ESG PERFORMANCE DATA TABLE

| Indicator | Measurement Unit | 2023 |
|--|------------------|----------|
| Supply chain management | | |
| Bursa C7(a) Proportion of spending on local suppliers | Percentage | 90.00 |
| Anti-corruption | | |
| Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category | | |
| Management | Percentage | 17.07 |
| Executive | Percentage | 57.32 |
| Non-executive/Technical Staff | Percentage | 25.61 |
| General Workers | Percentage | 0.00 |
| Bursa C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 100.00 |
| Bursa C1(c) Confirmed incidents of corruption and action taken | Number | 0 |
| Data privacy and security | | |
| Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 |
| Energy management | | |
| Bursa C4(a) Total energy consumption | Megawatt | 533.00 |
| Water | | |
| Bursa C9(a) Total volume of water used | Megalitres | 3.350000 |
| Diversity | | |
| Bursa C3(a) Percentage of employees by gender and age group, for each employee category | | |
| <u>Age Group by Employee Category</u> | | |
| Management 34 and below | Percentage | 2.93 |
| Management 35 until 44 | Percentage | 11.95 |
| Management 45 and above | Percentage | 11.46 |
| Executive 34 and below | Percentage | 26.59 |
| Executive 35 until 44 | Percentage | 23.66 |
| Executive 45 and above | Percentage | 5.85 |
| Non-executive/Technical Staff 34 and below | Percentage | 11.95 |
| Non-executive/Technical Staff 35 until 44 | Percentage | 2.93 |
| Non-executive/Technical Staff 45 and above | Percentage | 2.68 |
| General Workers 34 and below | Percentage | 0.00 |
| General Workers 35 until 44 | Percentage | 0.00 |
| General Workers 45 and above | Percentage | 0.00 |
| <u>Gender Group by Employee Category</u> | | |
| Management Male | Percentage | 17.56 |
| Management Female | Percentage | 8.78 |
| Executive Male | Percentage | 25.37 |
| Executive Female | Percentage | 30.73 |
| Non-executive/Technical Staff Male | Percentage | 6.83 |
| Non-executive/Technical Staff Female | Percentage | 10.73 |
| General Workers Male | Percentage | 0.00 |
| General Workers Female | Percentage | 0.00 |

Internal assurance

External assurance

No assurance

(*)Restated

SUSTAINABILITY STATEMENT

cont'd

| Indicator | Measurement Unit | 2023 |
|---|------------------|-----------|
| Diversity <i>cont'd</i> | | |
| Bursa C3(b) Percentage of directors by gender and age group | | |
| Male | Percentage | 57.00 |
| Female | Percentage | 43.00 |
| Under 30 | Percentage | 0.00 |
| Between 30-50 | Percentage | 0.00 |
| Above 50 | Percentage | 100.00 |
| Health and safety | | |
| Bursa C5(a) Number of work-related fatalities | Number | 0 |
| Bursa C5(b) Lost time incident rate ("LTIR") | Rate | 0.00 |
| Bursa C5(c) Number of employees trained on health and safety standards | Number | 35 |
| Labour practices and standards | | |
| Bursa C6(a) Total hours of training by employee category | | |
| Management | Hours | 1,804 |
| Executive | Hours | 1,773 |
| Non-executive/Technical Staff | Hours | 142 |
| General Workers | Hours | 0 |
| Bursa C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 3.66 |
| Bursa C6(c) Total number of employee turnover by employee category | | |
| Management | Number | 9 |
| Executive | Number | 40 |
| Non-executive/Technical Staff | Number | 11 |
| General Workers | Number | 0 |
| Bursa C6(d) Number of substantiated complaints concerning human rights violations | Number | 0 |
| Community/Society | | |
| Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 69,000.00 |
| Bursa C2(b) Total number of beneficiaries of the investment in communities | Number | 490 |

Internal assurance

External assurance

No assurance

(*)Restated

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 2023, 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 reviews, considers and plans 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 refined 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, whereby the current year actual incidences and impacts for the respective risk identified were recorded for review, risk profiling and mitigating actions.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

ENTERPRISE RISK MANAGEMENT *cont'd*

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 and new competition risk, project risk, inventory risk, business model and new business investment risk, foreign exchange and financing risk, bribery and corruption risk, political risk and sustainability 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.

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 at least twice a year to ensure reachability via all lines of communication to the Group's employees. For 2023, notification-tree tests were performed on 3 April 2023 and 3 October 2023 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 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' 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION *cont'd*

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.

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, Compliance Committee, Operation Committee, Credit Control Committee and Inventory Control Committee ("**Committees**"). These Committees, Health and Safety Committee, and members of the Logistics team will meet on monthly/bi-monthly/quarterly basis or conduct regular validation to ensure compliance with the relevant policies.

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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY ELEMENTS OF INTERNAL CONTROLS *cont'd*

- 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) 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 similar with the COVID-19 pandemic in 2020.

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 2023, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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 29 March 2024.

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 2023 (“**FYE 2023**”).

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:

| Directors | Designation | Directorate | Attendance |
|---|-------------|---|---------------------|
| Abdul Aziz Bin Zainal Abidin | Chairman | Independent Non-Executive Director | 4 out of 4 meetings |
| Anne Rodrigues Nee Koh Lan Heong (Appointed on 21 February 2023) | Member | Independent Non-Executive Director | 3 out of 3 meetings |
| Ong Wei Hiam | Member | Non-Independent Non-Executive Director | 4 out of 4 meetings |
| Wong Heng Chong (Ceased as member on 16 May 2023) | Member | Senior Independent Non-Executive Director | 1 out of 1 meeting |

Encik Abdul Aziz Bin Zainal Abidin, an insurance practitioner who is a Fellow of the Malaysian Insurance Institute; Madam Anne Rodrigues Nee Koh Lan Heong, a member of Malaysian Institute of Accountants (“**MIA**”) and a Fellow member of the Chartered Certified Accountants; 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, Mr. Wong Heng Chong, a member of Chartered Accountants Australia and New Zealand and MIA, 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.

Collectively, the AC possessed a wide range of necessary skills to discharge its duties. All AC members were financially literate, competent and were able to understand matters under the purview of the AC including and but not limited to, the financial reporting process.

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 FYE 2023, the AC held four (4) meetings as follow:-

| No. | AC Meeting | Date of Meeting | Private session with External Auditors without Executive Board members and Management |
|-----|-----------------------------|------------------|---|
| (1) | 54 th AC Meeting | 20 February 2023 | √ |
| (2) | 55 th AC Meeting | 16 May 2023 | |
| (3) | 56 th AC Meeting | 15 August 2023 | |
| (4) | 57 th AC Meeting | 14 November 2023 | √ |

For FYE 2023, 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 at the relevant juncture 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.vstecs.com.my.

ACTIVITIES OF THE AUDIT COMMITTEE

The following is a summary of the main activities carried out by the Committee during FYE 2023:-

(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 FYE 2023:-
 - Allowance for Doubtful Accounts;
 - Inventory Obsolescence;
 - Monitoring of Key Financial Liabilities;
 - Fair Value Accounting Estimates;
 - Changes in or Implementation of Major Accounting policy; and
 - Application/Adoption of new Accounting Standard.
- 3) Reviewed the Group Budget for Year 2024 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 FYE 2023;
- 3) Reviewed updates on the introduction of Malaysian Financial Reporting 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 relevant guidelines on 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 issues of concern and the minutes of those sessions were separately recorded;
- 7) Reviewed the performance of the External Auditors for FYE 2023 before recommending to the Board their re-appointment and fixing their remuneration at the forthcoming Twenty-Eighth Annual General Meeting for the financial year ending 31 December 2024; 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 Function Annual Audit Plan 2024 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; and
 - Reviewed and was satisfied with the performance of the Internal Audit Manager for FYE 2023 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 Function Annual Audit Plan 2024 tabled by Baker Tilly to ensure adequate coverage of the internal audit program and recommended the same to the Board for notation;
 - Reviewed the Internal Audit Reports and recommendations for corrective actions tabled by Baker Tilly; and
 - Reviewed and was satisfied with the performance of Baker Tilly for FYE 2023 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 were no conflicts 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 and support services 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 FYE 2023.

For the FYE 2023, the ERM Committee has held four (4) meetings.

(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 since June 2020 to implement the ABC Policy and its supporting programmes.

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

(f) ABC Compliance and Adequate Procedures

(i) **Adoption of ABC Policy**

During the FYE 2023, 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.

REPORT OF THE AUDIT COMMITTEE

cont'd

ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

(f) **ABC Compliance and Adequate Procedures** *cont'd*

(ii) **ABC Compliance Committee**

For FYE 2023, 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 management members of business units.

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

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 conducting risk-based examinations and providing independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance. The 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 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 FYE 2023, the IAD and Outsourced Internal Auditors carried out audit assignments in accordance with the approved Internal Audit Plans 2023 for the Group.
- 2) Both the IAD and Outsourced Internal Auditors have tabled their risk-based Internal Audit Plans for 2024 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 Personal Data Protection Act, Procurement for Stock and Non-Stock, Work-From-Home Communication and Productivity, and, System Integration and Project Sales Management.
 - Baker Tilly presented their review reports on Tender Participation and Project Management, effectiveness of Support Services, Vendor or Service Provider Contract Management, Commission and Incentive Scheme, Inventory Management, Management and Readiness of Managerial and Supervisory Personnel, and Updates on Recurring Related Party Transactions.
 - 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 21 February 2023.

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 FYE 2023 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 Internal Auditors Assessment;
- (viii) Outsourced Internal Auditors Assessment; and
- (ix) Performance.

Upon evaluation, the AC concluded that the overall performance of the Outsourced Internal Auditors and IAD for FYE 2023 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, graduated with a Bachelor's Degree (Honours) in Applied Accounting and is an associate member of The Institute of Internal Auditors Malaysia (IIAM). She is assisted by one (1) Executive, an affiliate 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 Partner. 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 four (4) staff, depending on the auditable work scope, serving as the IA Engagement Team to the Company.

For FYE 2023, 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 FYE 2023

The total cost incurred for the Internal Audit Function for FYE 2023 was RM282,433, segregated in the following manner:-

- 1) IAD – RM236,433 (FYE 2022: RM218,281)
- 2) Baker Tilly – RM46,000 (FYE 2022: RM41,000)

This Report of the AC is made in accordance with the Resolution of the Board of Directors passed on 29 March 2024.

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 2023, 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 |
|---|-------------|---------------|
| <u>Audit services rendered</u> | 229,000 | 78,000 |
| <u>Non-audit services rendered</u> | | |
| 1) Report on Directors' Statement on Risk Management and Internal Control | 10,000 | 10,000 |
| 2) Tax services provided by its local authorities | 34,700 | 6,400 |
| Total of Non-audit Fees | 44,700 | 16,400 |

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 2023 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 2023 and the details of trainings are disclosed the Corporate Governance Overview Statement on Pages 63 to 64 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 2023.

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 2023.

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 2023:-

- 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") 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 Accounting Standards 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 29 March 2024.



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

For the year ended 31 December 2023

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 2023.

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

| | Group RM'000 | Company RM'000 |
|--------------------------------------|-----------------|-------------------|
| Profit for the year attributable to: | | |
| Owners of the Company | 67,426 | 23,582 |

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 2022:
 - a single tier first interim dividend of 2.5 sen per ordinary share, totalling RM8,914,000 declared on 23 November 2022 and paid on 18 January 2023.
 - a single tier second interim dividend of 3.7 sen per ordinary share, totalling RM13,193,000 declared on 21 February 2023 and paid on 16 May 2023.
- ii) In respect of the financial year ended 31 December 2023:
 - a single tier first interim dividend of 2.5 sen per ordinary share, totalling RM8,914,000 declared on 15 November 2023 and paid on 12 January 2024.

The second single tier interim dividend declared by the Directors on 27 February 2024 in respect of the financial year ended 31 December 2023 is a single tier dividend of 4.1 sen per ordinary share, which is payable on 16 May 2024.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2023.

DIRECTORS' REPORT

For the year ended 31 December 2023
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
Soong Jan Hsung
Ong Wei Hiam
Abdul Aziz bin Zainal Abidin
Dato' Khoo Sin Aik
Anne Rodrigues Nee Koh Lan Heong
Josephine Phan Su Han (Appointed on 15 June 2023)
Wong Heng Chong (Retired on 16 May 2023)

DIRECTORS OF SUBSIDIARIES

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

Lee Marn Fong @ Wu Marn Fong
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 31.12.2023 |
|-------------------------------------|---------------------------|--------|------|------------------|
| | At 1.1.2023 | Bought | Sold | |
| Lee Marn Fong @ Wu Marn Fong | | | | |
| <i>Own interest in the Company</i> | | | | |
| - indirect | 44,192,400 | - | - | 44,192,400 |
| Soong Jan Hsung | | | | |
| <i>Own interest in the Company</i> | | | | |
| - direct | 450,000 | - | - | 450,000 |
| Dato' Khoo Sin Aik | | | | |
| <i>Own interest in the Company</i> | | | | |
| - indirect | 10,000 | - | - | 10,000 |

None of the other Directors holding office at 31 December 2023 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 2023
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 2023 are as follows:

| | From the Company | From subsidiary companies |
|---|-----------------------------|--|
| | RM'000 | RM'000 |
| Directors of the Company: | | |
| Fees | 468 | 8 |
| Remuneration | 31 | 3,131 |
| Estimated money value of any other benefits | - | 24 |
| | <u>499</u> | <u>3,163</u> |

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 15 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the Group and 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 2023
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 2023 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 RM229,000 and RM78,000 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: 29 March 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Assets | | | | | |
| Plant and equipment | 3 | 3,717 | 3,051 | - | - |
| Right-of-use assets | 4 | 5,761 | 2,150 | - | - |
| Intangible asset | 5 | 571 | 571 | - | - |
| Investments in subsidiaries | 6 | - | - | 77,022 | 77,022 |
| Investment in an associate | 7 | 27,085 | 25,760 | 18,796 | 18,796 |
| Investment in a joint venture | 8 | 13,415 | 13,463 | 12,170 | 12,170 |
| Other investments | 9 | 154 | 231 | - | - |
| Deferred tax assets | 10 | 6,905 | 4,328 | - | - |
| Receivables and deposits | 11 | 3,175 | - | - | - |
| Total non-current assets | | 60,783 | 49,554 | 107,988 | 107,988 |
| Inventories | 12 | 200,802 | 253,198 | - | - |
| Receivables and deposits | 11 | 396,872 | 363,372 | 260 | 25,583 |
| Prepayments | | 13,051 | 1,071 | 11 | 11 |
| Tax recoverable | | 176 | 202 | - | 97 |
| Cash and cash equivalents | 13 | 150,851 | 46,595 | 27,338 | 174 |
| Total current assets | | 761,752 | 664,438 | 27,609 | 25,865 |
| Total assets | | 822,535 | 713,992 | 135,597 | 133,853 |
| Equity | | | | | |
| Share capital | 14 | 90,000 | 90,000 | 90,000 | 90,000 |
| Reserves | 15 | 366,435 | 321,116 | 35,837 | 34,362 |
| Total equity attributable to owners of the Company | | 456,435 | 411,116 | 125,837 | 124,362 |
| Liabilities | | | | | |
| Borrowings | 16 | 67 | - | - | - |
| Lease liabilities | | 3,884 | 308 | - | - |
| Total non-current liabilities | | 3,951 | 308 | - | - |
| Borrowings | 16 | 33,400 | 13,500 | - | - |
| Lease liabilities | | 1,887 | 1,919 | - | - |
| Payables and accruals | 17 | 309,041 | 264,276 | 9,733 | 9,491 |
| Contract liabilities | 18 | 13,741 | 10,966 | - | - |
| Derivative financial liabilities | 19 | 1,629 | 4,544 | - | - |
| Tax payable | | 2,451 | 7,363 | 27 | - |
| Total current liabilities | | 362,149 | 302,568 | 9,760 | 9,491 |
| Total liabilities | | 366,100 | 302,876 | 9,760 | 9,491 |
| Total equity and liabilities | | 822,535 | 713,992 | 135,597 | 133,853 |

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 2023

| | Note | Group | | Company | |
|--|------|--------------------|-------------|----------------|---------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 20 | 2,727,185 | 2,770,614 | 24,429 | 22,860 |
| Cost of sales | | (2,573,332) | (2,620,831) | - | - |
| Gross profit | | 153,853 | 149,783 | 24,429 | 22,860 |
| Other income | | 5,835 | 194 | 6 | - |
| Distribution expenses | | (51,212) | (47,708) | - | - |
| Administrative expenses | | (27,857) | (25,581) | (1,174) | (1,040) |
| Net loss on impairment of financial instruments | | (1,336) | (74) | - | - |
| Results from operating activities | 21 | 79,283 | 76,614 | 23,261 | 21,820 |
| Finance income | 22 | 1,476 | 466 | 421 | 482 |
| Finance costs | 23 | (1,269) | (506) | - | - |
| Net finance income/(expense) | | 207 | (40) | 421 | 482 |
| Share of profit of equity-accounted associate, net of tax | 7 | 2,704 | 2,985 | - | - |
| Share of profit of equity-accounted joint venture, net of tax | 8 | 602 | 553 | - | - |
| Profit before tax | | 82,796 | 80,112 | 23,682 | 22,302 |
| Tax expense | 25 | (15,370) | (20,432) | (100) | (111) |
| Profit for the year/Total comprehensive income for the year attributable to owners of the Company | | 67,426 | 59,680 | 23,582 | 22,191 |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic and diluted (sen) | 26 | 18.9 | 16.7 | | |

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Note | ←----- Attributable to owners of the Company -----→ | | | | Total equity RM'000 |
|---|------|---|---------------------------|--------------------------|-----------------------------|------------------------|
| | | Share capital RM'000 | Treasury shares RM'000 | Merger reserve RM'000 | Retained earnings RM'000 | |
| Group | | | | | | |
| At 1 January 2022 | | 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) |
| At 31 December 2022/ 1 January 2023 | | 90,000 | (1,948) | - | 323,064 | 411,116 |
| Profit for the year/Total comprehensive income for the year | | - | - | - | 67,426 | 67,426 |
| Dividends to owners of the Company | 27 | - | - | - | (22,107) | (22,107) |
| At 31 December 2023 | | 90,000 | (1,948) | - | 368,383 | 456,435 |
| | | Note 14 | Note 15.3 | | Note 15.2 | |
| Company | | | | | | |
| At 1 January 2022 | | 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) |
| At 31 December 2022/ 1 January 2023 | | 90,000 | (1,948) | 22,961 | 13,349 | 124,362 |
| Profit for the year/Total comprehensive income for the year | | - | - | - | 23,582 | 23,582 |
| Dividends to owners of the Company | 27 | - | - | - | (22,107) | (22,107) |
| At 31 December 2023 | | 90,000 | (1,948) | 22,961 | 14,824 | 125,837 |
| | | Note 14 | Note 15.3 | Note 15.1 | Note 15.2 | |

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

| | Group | | Company | |
|--|----------------|-----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before tax | 82,796 | 80,112 | 23,682 | 22,302 |
| <i>Adjustments for:</i> | | | | |
| Depreciation of plant and equipment | 1,219 | 970 | - | - |
| Depreciation of right-of-use assets | 1,923 | 1,924 | - | - |
| Dividend income from subsidiaries | - | - | (22,400) | (20,700) |
| Dividend income from an associate | - | - | (1,379) | (1,160) |
| Dividend income from a joint venture | - | - | (650) | (1,000) |
| Gain on disposal of plant and equipment | (142) | (19) | - | - |
| Gain on derecognition of right-of-use asset | (5) | (3) | - | - |
| Loss/(Gain) on foreign exchange | | | | |
| - Unrealised | 1,511 | (2,268) | - | - |
| Finance costs | 1,269 | 506 | - | - |
| Finance income | (1,476) | (466) | (421) | (482) |
| Fair value changes on financial instruments | (2,838) | 2,954 | - | - |
| Impairment loss on: | | | | |
| - Trade receivable | 1,340 | 74 | - | - |
| - Other receivables | 871 | - | - | - |
| Inventories written (back)/down | (1,234) | 4,781 | - | - |
| Plant and equipment written off | 10 | 2 | - | - |
| Share of profit of equity-accounted associate, net of tax | (2,704) | (2,985) | - | - |
| Share of profit of equity-accounted joint venture, net of tax | (602) | (553) | - | - |
| Operating profit/(loss) before changes in working capital | 81,938 | 85,029 | (1,168) | (1,040) |
| Changes in working capital: | | | | |
| Inventories | 53,630 | (35,446) | - | - |
| Receivables, deposits and prepayments | (51,213) | (17,761) | 23 | 504 |
| Payables and accruals | 43,254 | (26,136) | 242 | (84) |
| Contract liabilities | 2,775 | (4,995) | - | - |
| Cash generated from/(used in) operations | 130,384 | 691 | (903) | (620) |
| Tax (paid)/refund | (22,833) | (22,910) | 24 | (46) |
| Net cash from/(used in) operating activities | 107,551 | (22,219) | (879) | (666) |

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023
cont'd

| | Group | | Company | |
|---|----------------|-----------------|-----------------|-----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash flows from investing activities | | | | |
| Acquisition of plant and equipment | (1,701) | (1,784) | - | - |
| Proceeds from disposal of plant and equipment | 148 | 22 | - | - |
| Purchase of other investment | - | (300) | - | - |
| Repayment from/(Advance to) subsidiaries | - | - | 25,300 | (22,300) |
| Dividend income from subsidiaries | - | - | 22,400 | 20,700 |
| Dividend income from an associate | 1,379 | 1,160 | 1,379 | 1,160 |
| Dividend income from a joint venture | 650 | 1,000 | 650 | 1,000 |
| Net cash from investing activities | 476 | 98 | 49,729 | 560 |
| Cash flows from financing activities | | | | |
| Utilisation of banker's acceptances | 19,800 | 13,500 | - | - |
| Interest paid | (830) | (506) | - | - |
| Interest received | 1,384 | 466 | 421 | 12 |
| Dividends paid to owners of the Company | (22,107) | (14,982) | (22,107) | (14,982) |
| Repayment of hire purchase liabilities | (33) | - | - | - |
| Payment of lease liabilities | (1,985) | (1,919) | - | - |
| Repurchase of treasury shares | - | (495) | - | (495) |
| Net cash used in financing activities | (3,771) | (3,936) | (21,686) | (15,465) |
| Net increase/(decrease) in cash and cash equivalents | 104,256 | (26,057) | 27,164 | (15,571) |
| Cash and cash equivalents at 1 January | 46,595 | 72,652 | 174 | 15,745 |
| Cash and cash equivalents at 31 December | 150,851 | 46,595 | 27,338 | 174 |

(i) Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM1,901,000 (2022: RM1,784,000) of which RM200,000 (2022: nil) was acquired under hire purchase arrangement.

(ii) Cash outflows for leases as a lessee

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Included in net cash from financing activities: | | | | |
| Interest paid in relation to lease liabilities | 93 | 160 | - | - |
| Payment of lease liabilities | 1,985 | 1,919 | - | - |
| Total cash outflows for leases | 2,078 | 2,079 | - | - |

STATEMENTS OF CASH FLOWSFor the year ended 31 December 2023
cont'd**(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | At 1 January 2022 | Net changes from financing cash flows | Acquisition of new lease | Termination of lease contract | At 31 December 2022/1 January 2023 | Net changes from financing cash flows | Acquisition of new plant and equipment/ lease | Termination of lease contract | At 31 December 2023 |
|--|----------------------------|---|-----------------------------|-------------------------------------|--|---|---|-------------------------------------|---------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | | | | |
| Banker's acceptances | - | 13,500 | - | - | 13,500 | 19,800 | - | - | 33,300 |
| Hire purchase | - | - | - | - | - | (33) | 200 | - | 167 |
| Lease liabilities | 4,024 | (1,919) | 194 | (72) | 2,227 | (1,985) | 5,686 | (157) | 5,771 |
| Total liabilities from financing activities | 4,024 | 11,581 | 194 | (72) | 15,727 | 17,782 | 5,886 | (157) | 39,238 |

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 2023 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 2023 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 29 March 2024.

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”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting 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 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*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024; and
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

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 4.1 – extension options and incremental borrowing rate in relation to leases and Note 31.4 – measurement of expected credit loss (“**ECL**”).

2. MATERIAL ACCOUNTING POLICY INFORMATION

The Group has adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

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 |
|--|-------------------------------|--------------------------------|-----------------------------|--|-----------------|
| Group | | | | | |
| Cost | | | | | |
| At 1 January 2022 | 11,496 | 480 | 2,167 | 2,744 | 16,887 |
| Additions | 806 | - | - | 978 | 1,784 |
| Disposal | (3) | - | - | - | (3) |
| Written off | (145) | - | - | - | (145) |
| At 31 December 2022/ 1 January 2023 | 12,154 | 480 | 2,167 | 3,722 | 18,523 |
| Additions | 1,371 | 16 | 392 | 122 | 1,901 |
| Disposal | (6) | - | (327) | - | (333) |
| Written off | (80) | (171) | - | (31) | (282) |
| At 31 December 2023 | 13,439 | 325 | 2,232 | 3,813 | 19,809 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | 9,678 | 420 | 1,889 | 2,658 | 14,645 |
| Depreciation for the year | 622 | 36 | 169 | 143 | 970 |
| Written off | (143) | - | - | - | (143) |
| At 31 December 2022/ 1 January 2023 | 10,153 | 456 | 2,062 | 2,801 | 15,472 |
| Depreciation for the year | 782 | 14 | 129 | 294 | 1,219 |
| Disposal | - | - | (327) | - | (327) |
| Written off | (73) | (168) | - | (31) | (272) |
| At 31 December 2023 | 10,866 | 302 | 1,860 | 3,064 | 16,092 |
| Carrying amounts | | | | | |
| At 1 January 2022 | 1,818 | 60 | 278 | 86 | 2,242 |
| At 31 December 2022/ 1 January 2023 | 1,997 | 24 | 109 | 921 | 3,051 |
| At 31 December 2023 | 2,573 | 23 | 372 | 749 | 3,717 |

3.1 Motor vehicles

At 31 December 2023, the net carrying amount of motor vehicle that the Group acquired under hire purchase arrangement is RM360,000 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PLANT AND EQUIPMENT *cont'd*

3.2 Material accounting policy information

(a) Recognition and measurement

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

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

(b) Depreciation

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.

4. RIGHT-OF-USE ASSETS

| | Building RM'000 | Total RM'000 |
|------------------------------------|--------------------|-----------------|
| Group | | |
| At 1 January 2022 | 3,949 | 3,949 |
| Addition | 194 | 194 |
| Depreciation | (1,924) | (1,924) |
| Derecognition | (69) | (69) |
| At 31 December 2022/1 January 2023 | 2,150 | 2,150 |
| Addition | 5,686 | 5,686 |
| Depreciation | (1,923) | (1,923) |
| Derecognition | (152) | (152) |
| At 31 December 2023 | 5,761 | 5,761 |

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 Significant judgements and assumptions in relation to leases

The Group 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.

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.

4.2 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 2023, the Group has included all potential future cash flows of exercising the extension options in the lease liabilities.

5. INTANGIBLE ASSET

Goodwill

| | Note | Group | |
|---------|------|--------|--------|
| | | 2023 | 2022 |
| | | RM'000 | RM'000 |
| At cost | 5.1 | 571 | 571 |

Goodwill arises 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INTANGIBLE ASSET *cont'd*

Goodwill *cont'd*

5.1 Impairment testing for cash-generating units containing goodwill *cont'd*

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. Cash flows for the one-year period were projected using a constant growth rate of 6.1% (2022: 4.6%), 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 4.5% (2022: 3.5%).

6. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---------|---------|--------|
| | 2023 | 2022 |
| | 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 | |
|---------------------------|--------------------------|--|--|------|
| | | | 2023 | 2022 |
| | | | % | % |
| 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 provision of management and support services. | 100 | 100 |

6.1 Material accounting policy information

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At cost | | | | |
| Unquoted shares | 18,796 | 18,796 | 18,796 | 18,796 |
| Share of post-acquisition reserves | 8,289 | 6,964 | - | - |
| | 27,085 | 25,760 | 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 | |
|------------------|-----------------------------|--|--|------|
| | | | 2023 | 2022 |
| | | | % | % |
| ISATEC Sdn. Bhd. | Malaysia | Provider of products and contract programming services related to information technology and telecommunication facilities. | 40 | 40 |

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 | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Summarised financial information | | |
| As at 31 December | | |
| Non-current assets | 2,765 | 1,715 |
| Current assets | 48,389 | 49,878 |
| Current liabilities | (16,444) | (20,195) |
| Net assets | 34,710 | 31,398 |
| Year ended 31 December | | |
| Profit and total comprehensive income | 6,227 | 6,903 |
| Included in the total comprehensive income: | | |
| Revenue | 62,375 | 61,293 |
| Reconciliation of net assets to carrying amount as at 31 December | | |
| Group's share of net assets | 13,884 | 12,559 |
| Goodwill | 13,201 | 13,201 |
| Carrying amount in the statement of financial position | 27,085 | 25,760 |
| Group's share of results for the year ended 31 December | | |
| Group's share of profit and total comprehensive income | 2,704 | 2,985 |
| Dividend received by the Group | 1,379 | 1,160 |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN AN ASSOCIATE *cont'd*

7.1 Material accounting policy information

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses.

8. INVESTMENT IN A JOINT VENTURE

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At cost | | | | |
| Unquoted shares | 12,170 | 12,170 | 12,170 | 12,170 |
| Share of post-acquisition reserves | 1,245 | 1,293 | - | - |
| | 13,415 | 13,463 | 12,170 | 12,170 |

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 | |
|----------------------------|-----------------------------|--|--|-----------|
| | | | 2023 % | 2022 % |
| 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 | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Summarised financial information | | |
| As at 31 December | | |
| Non-current assets | 30,000 | 30,000 |
| Current assets | 479 | 353 |
| Non-current liabilities | (1,807) | (1,807) |
| Current liabilities | (1,054) | (1,046) |
| Net assets | 27,618 | 27,500 |
| Year ended 31 December | | |
| Profit and total comprehensive income | 1,418 | 1,248 |
| Included in the total comprehensive income: | | |
| Revenue | 1,923 | 1,920 |
| Income tax expense | (359) | (1,315) |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Reconciliation of net assets to carrying amount as at 31 December | | |
| Group's share of net assets | 13,809 | 13,750 |
| Depreciation on investment property | (394) | (287) |
| Carrying amount in the statement of financial position | 13,415 | 13,463 |
| Group's share of results for the year ended 31 December | | |
| Group's share of profit and total comprehensive income | 602 | 553 |
| Dividend received by the Group | 650 | 1,000 |

8.1 Material accounting policy information

Investment in a joint venture is measured in the Company's statement of financial position at cost less any impairment losses.

9. OTHER INVESTMENTS

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Fair value through profit or loss | | |
| - Investment in quoted equity in Malaysia | 92 | 169 |
| Fair value through other comprehensive income | | |
| - Investment in club membership | 62 | 62 |
| | 154 | 231 |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. DEFERRED TAX ASSETS

Recognised deferred tax assets

| | Assets | | Liabilities | | Net | |
|-------------------------------|---------|--------|-------------|--------|--------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | |
| Plant and equipment | - | - | (543) | (492) | (543) | (492) |
| Right-of-use assets | - | - | (373) | (391) | (373) | (391) |
| Lease liabilities | 359 | 393 | - | - | 359 | 393 |
| Unabsorbed capital allowances | - | 127 | - | - | - | 127 |
| Provisions | 7,799 | 4,557 | - | - | 7,799 | 4,557 |
| Other items | - | 134 | (337) | - | (337) | 134 |
| Tax assets/(liabilities) | 8,158 | 5,211 | (1,253) | (883) | 6,905 | 4,328 |
| Set off of tax | (1,253) | (883) | 1,253 | 883 | - | - |
| Net tax assets | 6,905 | 4,328 | - | - | 6,905 | 4,328 |

Movement in temporary differences during the year

| | At | Recognised | At | Recognised | At |
|------------------------------|----------|-----------------------------------|-------------------------|-----------------------------------|------------|
| | 1.1.2022 | in profit or loss (Note 25) | 31.12.2022/ 1.1.2023 | in profit or loss (Note 25) | 31.12.2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | |
| Plant and equipment | (215) | (277) | (492) | (51) | (543) |
| Right-of-use assets | (549) | 158 | (391) | 18 | (373) |
| Lease liabilities | 564 | (171) | 393 | (34) | 359 |
| Unabsorbed capital allowance | - | 127 | 127 | (127) | - |
| Provisions | 1,623 | 2,934 | 4,557 | 3,242 | 7,799 |
| Other items | 237 | (103) | 134 | (471) | (337) |
| | 1,660 | 2,668 | 4,328 | 2,577 | 6,905 |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. DEFERRED TAX ASSETS *cont'd*

10.1 Material accounting policy information

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.

11. RECEIVABLES AND DEPOSITS

| | Note | Group | | Company | |
|------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Trade | | | | | |
| Non-current | | | | | |
| Trade receivable | 11.1 | 3,175 | - | - | - |
| Current | | | | | |
| Trade receivables | | 378,610 | 347,707 | - | - |
| Less: Impairment loss | 11.2 | (2,103) | (763) | - | - |
| | | 376,507 | 346,944 | | |
| Amount due from a subsidiary | 11.3 | - | - | 251 | 251 |
| | | 376,507 | 346,944 | 251 | 251 |
| Non-trade | | | | | |
| Other receivables | 11.4 | 14,632 | 14,132 | 5 | 16 |
| Deposits | 11.5 | 5,733 | 2,296 | 2 | 2 |
| Amount due from subsidiaries | 11.6 | - | - | 2 | 25,314 |
| | | 20,365 | 16,428 | 9 | 25,332 |
| | | 396,872 | 363,372 | 260 | 25,583 |
| | | 400,047 | 363,372 | 260 | 25,583 |

11.1 Non-current trade receivable

The non-current trade receivable is unsecured, subject to interest at 4.25% per annum and repayable in year 2025.

11.2 Impairment loss

Trade receivables amounting to RM2,000 was written off against the impairment loss brought forward in previous financial year.

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 RM13,585,000 (2022: RM13,440,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

11. RECEIVABLES AND DEPOSITS *cont'd*

11.5 Deposits

Included in deposits of the Group is an amount of RM960,000 (2022: 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 in 2022 was a non-trade short-term loan of RM25,300,000 which was unsecured, subjected to interest at 3.25% per annum and repayable on demand. The remaining RM2,000 (2022: RM14,000) due from subsidiaries are unsecured, interest free and repayable on demand.

12. INVENTORIES

| | Group | |
|---|------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Trading goods | 197,196 | 249,293 |
| Goods-in-transit | 3,606 | 3,905 |
| | 200,802 | 253,198 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 2,498,597 | 2,627,294 |
| Write (back)/down to net realisable value | (1,234) | 4,781 |

The write (back)/down is included in cost of sales.

12.1 Material accounting policy information

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.

13. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash and bank balances | 150,851 | 46,595 | 27,338 | 174 |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

14. SHARE CAPITAL

| | Group and Company | | | |
|--|-------------------|-----------|--------|-----------|
| | Amount | Number | Amount | Number |
| | 2023 | of shares | 2022 | of shares |
| | RM'000 | '000 | RM'000 | '000 |
| Issued and fully paid with no par value: | | | | |
| Ordinary shares | | | | |
| At 1 January/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.

15. RESERVES

| | Note | Group | | Company | |
|-------------------|------|---------|---------|---------|---------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Merger reserves | 15.1 | - | - | 22,961 | 22,961 |
| Retained earnings | 15.2 | 368,383 | 323,064 | 14,824 | 13,349 |
| Treasury shares | 15.3 | (1,948) | (1,948) | (1,948) | (1,948) |
| | | 366,435 | 321,116 | 35,837 | 34,362 |

15.1 Merger reserve

Company

The merger reserve of the Company represents the surplus in respect of the purchase consideration paid over the nominal value of ordinary shares issued by the Company arising from an internal rationalisation exercise in prior years. The internal rationalisation exercise was accounted as a business combination on common control, hence the merger method of accounting was adopted.

15.2 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.

15.3 Treasury shares

At 31 December 2023, the Group held 3,444,000 (2022: 3,444,000) of the Treasury shares comprises cost of acquisition of the Company's own shares.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16. BORROWINGS

| | | Group | |
|----------------------|------|---------------|--------|
| | | 2023 | 2022 |
| | | RM'000 | RM'000 |
| Non-current | | | |
| Hire purchase | 16.1 | 67 | - |
| Current | | | |
| Hire purchase | 16.1 | 100 | - |
| Banker's acceptances | 16.2 | 33,300 | 13,500 |
| | | 33,400 | 13,500 |
| | | 33,467 | 13,500 |

16.1 Hire purchase liabilities

The hire purchase of the Group is secured by a charge over the related motor vehicle as stated in Note 3.1 to the financial statements.

16.2 Banker's acceptances

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

17. PAYABLES AND ACCRUALS

| | | Group | | Company | |
|-------------------------------------|---------|----------------|---------|--------------|--------|
| Note | 2023 | 2022 | 2023 | 2022 | |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade | | | | | |
| Trade payables | 235,751 | 192,606 | - | - | |
| Deferred revenue | 816 | 190 | - | - | |
| | | 236,567 | 192,796 | - | - |
| Non-trade | | | | | |
| Other payables and accrued expenses | 17.1 | 63,560 | 62,566 | 613 | 567 |
| Dividend payable | 27 | 8,914 | 8,914 | 8,914 | 8,914 |
| Amount due to subsidiaries | 17.2 | - | - | 206 | 10 |
| | | 72,474 | 71,480 | 9,733 | 9,491 |
| | | 309,041 | 264,276 | 9,733 | 9,491 |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

17. PAYABLES AND ACCRUALS *cont'd*

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 RM15,262,000 (2022: RM29,336,000).

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

| | 2023 RM'000 | 2022 RM'000 |
|----------------------|----------------|----------------|
| Group | | |
| Contract liabilities | 13,741 | 10,966 |

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

19. DERIVATIVE FINANCIAL LIABILITIES

Derivatives at fair value through profit or loss:

| | 2023 | | 2022 | |
|----------------------------|------------------|-------------|------------------|-------------|
| | Nominal value | Liabilities | Nominal value | Liabilities |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Forward exchange contracts | 117,001 | 1,629 | 141,039 | 4,544 |

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. REVENUE

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue from contracts with customers | | | | | |
| Sale of goods | | 2,725,143 | 2,768,522 | - | - |
| Services | | 2,042 | 2,092 | - | - |
| | 20.1 | 2,727,185 | 2,770,614 | - | - |
| Other revenue | | | | | |
| Dividend income from: | | | | | |
| - subsidiaries | | - | - | 22,400 | 20,700 |
| - associate | | - | - | 1,379 | 1,160 |
| - joint venture | | - | - | 650 | 1,000 |
| Total revenue | | 2,727,185 | 2,770,614 | 24,429 | 22,860 |

The disaggregation of revenue is disclosed in Note 28.2.

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. |
| Dividend | 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. |

NOTES TO THE FINANCIAL STATEMENTS

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21. RESULTS FROM OPERATING ACTIVITIES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Results from operating activities are arrived at after charging/(crediting): | | | | |
| Auditors' remuneration | | | | |
| - Audit fees | | | | |
| KPMG PLT | 229 | 224 | 78 | 77 |
| - Non-audit fees | | | | |
| KPMG PLT | 10 | 10 | 10 | 10 |
| KPMG Tax Services Sdn. Bhd. | 35 | 35 | 6 | 7 |
| Material expenses/(income) | | | | |
| Depreciation of plant and equipment | 1,219 | 970 | - | - |
| Depreciation of right-of-use assets | 1,923 | 1,924 | - | - |
| Dividend income: | | | | |
| - associate | - | - | (1,379) | (1,160) |
| - joint venture | - | - | (650) | (1,000) |
| - subsidiaries | - | - | (22,400) | (20,700) |
| Fair value (gain)/loss on financial instruments | | | | |
| - Forward exchange contracts | (2,915) | 2,823 | - | - |
| - Other investment | 77 | 131 | - | - |
| Gain on disposal of plant and equipment | (142) | (19) | - | - |
| (Gain)/Loss on foreign exchange (net): | | | | |
| - Realised | (4,308) | (595) | - | - |
| - Unrealised | 1,511 | (2,268) | - | - |
| Plant and equipment written off | 10 | 2 | - | - |
| (Reversal of)/Provision for inventories written down | (1,234) | 4,781 | - | - |
| Personnel expenses (including key management personnel): | | | | |
| - Contributions to Employees' Provident Fund | 3,753 | 3,457 | - | - |
| - Wages, salaries and others | 49,484 | 47,021 | - | - |
| Net (gain)/loss on impairment of financial instruments | | | | |
| Bad debts recovered | (4) | - | - | - |
| Trade receivables | 1,340 | 74 | - | - |
| Other receivables | 871 | - | - | - |
| | 2,207 | 74 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

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22. FINANCE INCOME

| | Group | | Company | |
|--|--------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income of financial assets at fair value through profit or loss | - | 1 | - | - |
| Interest income of financial assets at amortised cost: | | | | |
| - Recognised before impairment | 1,476 | 465 | 421 | 482 |
| | 1,476 | 466 | 421 | 482 |

23. FINANCE COSTS

| | Group | | Company | |
|--|--------------|------------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense of financial assets at amortised cost | 439 | - | - | - |
| Interest expense of financial liabilities that are at amortised cost | 736 | 346 | - | - |
| Interest expense on lease liabilities | 93 | 160 | - | - |
| Interest expense on hire purchase | 1 | - | - | - |
| | 1,269 | 506 | - | - |

24. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

| | Group | | Company | |
|---|--------------|--------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors | | | | |
| - Fees | 481 | 433 | 468 | 421 |
| - Remuneration | 5,255 | 5,348 | 31 | 32 |
| - Other short-term employee benefits (including estimated monetary value of benefits-in-kind) | 50 | 53 | - | - |
| | 5,786 | 5,834 | 499 | 453 |
| Other key management personnel | | | | |
| - Remuneration | 1,870 | 1,785 | - | - |
| - Contributions to Employees' Provident Fund | 361 | 359 | - | - |
| - Other short-term employee benefits | 1,271 | 1,303 | - | - |
| | 3,502 | 3,447 | - | - |
| | 9,288 | 9,281 | 499 | 453 |

NOTES TO THE FINANCIAL STATEMENTS

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24. KEY MANAGEMENT PERSONNEL COMPENSATION *cont'd*

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.

25. TAX EXPENSE

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Income tax expense | | | | |
| - Current year | 17,810 | 22,790 | 100 | 113 |
| - Under/(Over) provision in prior years | 137 | 310 | - | (2) |
| | 17,947 | 23,100 | 100 | 111 |
| Deferred tax expense | | | | |
| - Origination and reversal of temporary differences | 2,332 | (3,079) | - | - |
| - (Over)/Under provision in prior year | (4,909) | 411 | - | - |
| | (2,577) | (2,668) | - | - |
| | 15,370 | 20,432 | 100 | 111 |
| Reconciliation of tax expense | | | | |
| Profit for the year | 67,426 | 59,680 | 23,582 | 22,191 |
| Tax expense | 15,370 | 20,432 | 100 | 111 |
| Profit excluding tax | 82,796 | 80,112 | 23,682 | 22,302 |
| Tax at Malaysian tax rate of 24% (2022: 24%) | 19,871 | 19,227 | 5,684 | 5,352 |
| Non-deductible expenses | 1,064 | 1,333 | 279 | 247 |
| Non-taxable income | - | - | (5,863) | (5,486) |
| Tax effect on share of results of associate | (649) | (716) | - | - |
| Tax effect on share of results of joint venture | (144) | (133) | - | - |
| | 20,142 | 19,711 | 100 | 113 |
| Under/(Over) provision in prior years | | | | |
| - current tax | 137 | 310 | - | (2) |
| - deferred tax | (4,909) | 411 | - | - |
| | 15,370 | 20,432 | 100 | 111 |

25.1 Material accounting policy information

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.

NOTES TO THE FINANCIAL STATEMENTS

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26. EARNINGS PER ORDINARY SHARE

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

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Profit attributable to owners of the Company | 67,426 | 59,680 |
| Weighted average number of ordinary shares at 31 December | 356,555 | 356,555 |
| Basic and diluted earnings per ordinary share (sen) | 18.9 | 16.7 |

27. DIVIDENDS

Dividends recognised by the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|--|------------------|---------------------------|-----------------|
| 2023 | | | |
| Second interim 2022 ordinary - single tier | 3.7 | 13,193 | 16 May 2023 |
| First interim 2023 ordinary - single tier | 2.5 | 8,914 | 12 January 2024 |
| Total | | <u>22,107</u> | |
| 2022 | | | |
| 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 | | <u>23,896</u> | |

After the end of the reporting period, the following dividend was declared by the Directors on 27 February 2024 and payable on 16 May 2024. These dividends will be recognised in subsequent financial period.

| | Sen per share | Total amount RM'000 |
|--|------------------|---------------------------|
| Second interim 2023 ordinary - single tier | 4.1 | <u>14,619</u> |

NOTES TO THE FINANCIAL STATEMENTS

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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 2023 and 2022.

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.

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

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28. OPERATING SEGMENTS *cont'd*

28.1 Segmental information for the Group is presented as follows:

| | ICT distribution | | Enterprise systems | | ICT services | | Total | |
|--|------------------|-----------|--------------------|-----------|----------------|---------|------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment profit | 22,808 | 23,843 | 47,564 | 45,901 | 8,513 | 5,448 | 78,885 | 75,192 |
| Included in the measure of segment profit are: | | | | | | | | |
| - Depreciation of plant and equipment | (127) | (221) | (199) | (233) | (173) | (85) | (499) | (539) |
| - Depreciation of right-of-use assets | (76) | (85) | (64) | (57) | (4) | (5) | (144) | (147) |
| - Finance costs | (978) | (1,369) | (649) | (926) | (142) | (58) | (1,769) | (2,353) |
| - Finance income | 279 | 199 | 708 | 1,300 | 500 | 359 | 1,487 | 1,858 |
| Segment assets | 476,302 | 437,876 | 251,713 | 252,801 | 13,157 | 11,581 | 741,172 | 702,258 |
| Revenue from external customers | 1,114,518 | 1,230,346 | 1,375,347 | 1,365,522 | 237,320 | 174,746 | 2,727,185 | 2,770,614 |
| Inter-segment revenue | 3,373 | 13,054 | 11,759 | 10,330 | 13,115 | 13,368 | 28,247 | 36,752 |

28.2 Disaggregation of revenue

| | ICT distribution | | Enterprise systems | | ICT services | | Total | |
|--|------------------|-----------|--------------------|-----------|----------------|---------|------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Major product and service lines | | | | | | | | |
| - Desktop, PC, notebooks, mobility devices and peripherals | 1,114,518 | 1,230,346 | - | - | - | - | 1,114,518 | 1,230,346 |
| - Server, storage, software and networking products | - | - | 1,375,347 | 1,365,522 | - | - | 1,375,347 | 1,365,522 |
| - Services and maintenance | - | - | - | - | 237,320 | 174,746 | 237,320 | 174,746 |
| | 1,114,518 | 1,230,346 | 1,375,347 | 1,365,522 | 237,320 | 174,746 | 2,727,185 | 2,770,614 |
| Timing | | | | | | | | |
| - At a point in time | 1,114,518 | 1,230,346 | 1,375,347 | 1,365,522 | 235,278 | 172,654 | 2,725,143 | 2,768,522 |
| - Over time | - | - | - | - | 2,042 | 2,092 | 2,042 | 2,092 |
| | 1,114,518 | 1,230,346 | 1,375,347 | 1,365,522 | 237,320 | 174,746 | 2,727,185 | 2,770,614 |

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 | | | | | | |
|---|------------------|-------------------------------------|-------------------------------------|---------------|----------------|----------------|---------------------------------|
| | 2023 | 2022 | | | | | |
| | RM'000 | RM'000 | | | | | |
| Total profit for the reportable segments | 78,885 | 75,192 | | | | | |
| Other non-reportable segments profit | 28,337 | 27,819 | | | | | |
| Elimination of inter-segments profit | (24,426) | (22,899) | | | | | |
| Consolidated profit before tax | 82,796 | 80,112 | | | | | |
| | External revenue | Depreciation of plant and equipment | Depreciation of right-of-use assets | Finance costs | Finance income | Segment assets | Additions to non-current assets |
| Group | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2023 | | | | | | | |
| Total reportable segments | 2,755,432 | (499) | (144) | (1,769) | 1,487 | 741,172 | 1,550 |
| Other non-reportable segments | 21,845 | (740) | (1,779) | (78) | 567 | 155,446 | 392 |
| Elimination of inter-segment transactions or balances | (50,092) | 20 | - | 578 | (578) | (74,083) | (41) |
| Consolidated total | 2,727,185 | (1,219) | (1,923) | (1,269) | 1,476 | 822,535 | 1,901 |
| 2022 | | | | | | | |
| 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 |

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

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28. OPERATING SEGMENTS *cont'd*

28.5 Major customers

The following is a major customer with revenue equal or more than 10% of the Group's total revenue during the financial year (2022: nil).

| | Revenue 2023 RM'000 | Segment |
|----------------------------------|---------------------------|---|
| All common control companies of: | | |
| - Customer A | 359,072 | ICT distribution and Enterprise systems |

29. CAPITAL COMMITMENTS

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Capital expenditure commitments | | |
| Plant and equipment | | |
| Contracted but not provided for | 1,695 | 243 |

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 management 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.

NOTES TO THE FINANCIAL STATEMENTS

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30. RELATED PARTIES *cont'd*

Other related party transactions

| | Transaction value | | | |
|--------------------|-------------------|----------------|----------------|----------------|
| | Group | | Company | |
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Subsidiaries | | | | |
| Dividend income | - | - | 22,400 | 20,700 |
| Interest income | - | - | 353 | 470 |
| Purchases | - | - | (11) | - |
| Affiliated company | | | | |
| Purchases | (8) | (38) | - | - |
| Support service | (146) | - | - | - |
| Sales | - | 249 | - | - |
| Joint venture | | | | |
| Dividend income | - | - | 650 | 1,000 |
| Lease expense | (1,923) | (1,920) | - | - |
| Professional fee | 14 | 10 | - | - |
| Associate | | | | |
| Dividend income | - | - | 1,379 | 1,160 |
| Sales | 594 | 545 | - | - |
| Support service | (256) | (237) | - | - |

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 |
|---|------------------------------|------------------|---|-----------------------------|
| 2023 | | | | |
| Financial assets | | | | |
| Group | | | | |
| Receivables and deposits | 400,047 | 400,047 | - | - |
| Cash and cash equivalents | 150,851 | 150,851 | - | - |
| Club membership | 62 | - | - | 62 |
| Quoted equity in Malaysia - DUIR | 92 | - | 92 | - |
| | 551,052 | 550,898 | 92 | 62 |
| Company | | | | |
| Receivables and deposits | 260 | 260 | - | - |
| Cash and cash equivalents | 27,338 | 27,338 | - | - |
| | 27,598 | 27,598 | - | - |
| Financial liabilities | | | | |
| Group | | | | |
| Borrowings | (33,467) | (33,467) | - | - |
| Payables and accruals | (309,041) | (297,607) | - | - |
| Derivative financial liabilities - Mandatorily | (1,629) | - | (1,629) | - |
| | (344,137) | (331,074) | (1,629) | - |
| Company | | | | |
| Payables and accruals | (9,733) | (9,733) | - | - |

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 |
|---|------------------------------|--------------|---|-----------------------------|
| 2022 | | | | |
| Financial assets | | | | |
| Group | | | | |
| 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 | - |
| | 410,198 | 409,967 | 169 | 62 |
| Company | | | | |
| Receivables and deposits | 25,583 | 25,583 | - | - |
| Cash and cash equivalents | 174 | 174 | - | - |
| | 25,757 | 25,757 | - | - |
| Financial liabilities | | | | |
| Group | | | | |
| Borrowings | (13,500) | (13,500) | - | - |
| Payables and accruals | (264,276) | (264,276) | - | - |
| Derivative financial liabilities - Mandatorily | (4,544) | - | (4,544) | - |
| | (282,320) | (277,776) | (4,544) | - |
| Company | | | | |
| Payables and accruals | (9,491) | (9,491) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Net gains/(losses) on: | | | | |
| Financial assets at amortised cost | (299) | 391 | 421 | 482 |
| Financial assets at fair value through profit or loss: | | | | |
| - Mandatorily required under MFRS 9 | - | 1 | - | - |
| - Designated upon initial recognition | (77) | (131) | - | - |
| Financial liabilities at amortised cost | 2,060 | 2,517 | - | - |
| Financial liabilities at fair value through profit and loss: | | | | |
| - Mandatorily required under MFRS 9 | 2,915 | (2,823) | - | - |
| | 4,599 | (45) | 421 | 482 |

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 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Credit risk *cont'd*

(i) Trade receivables *cont'd*

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 (2022: 5) individual debtors which forms 31% (2022: 24%) 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.

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.

| Group | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balance RM'000 |
|----------------------------|---------------------------------------|-----------------------------|--------------------------|
| 2023 | | | |
| Current (not past due) | 183,784 | - | 183,784 |
| 1 – 30 days past due | 133,734 | - | 133,734 |
| 31 – 60 days past due | 48,015 | - | 48,015 |
| 61 – 90 days past due | 6,941 | - | 6,941 |
| | 372,474 | - | 372,474 |
| Credit impaired | | | |
| More than 90 days past due | 9,253 | (2,045) | 7,208 |
| Individually impaired | 58 | (58) | - |
| | 381,785 | (2,103) | 379,682 |

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

| | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balance RM'000 |
|----------------------------|---------------------------------------|-----------------------------|--------------------------|
| 2022 | | | |
| Current (not past due) | 174,598 | - | 174,598 |
| 1 – 30 days past due | 114,441 | - | 114,441 |
| 31 – 60 days past due | 45,341 | - | 45,341 |
| 61 – 90 days past due | 12,269 | - | 12,269 |
| | 346,649 | - | 346,649 |
| Credit impaired | | | |
| More than 90 days past due | 1,045 | (750) | 295 |
| Individually impaired | 13 | (13) | - |
| | 347,707 | (763) | 346,944 |

The movements in the allowance for impairment losses of trade receivables during the year are shown below.

| Group | Lifetime ECL RM'000 | Credit impaired RM'000 | Total RM'000 |
|---|---------------------------|------------------------------|-----------------|
| Balance at 1 January 2022 | 503 | 188 | 691 |
| Amounts written off | - | (2) | (2) |
| Net measurement of loss allowance | 247 | (173) | 74 |
| Balance at 31 December 2022/1 January 2023 | 750 | 13 | 763 |
| Net measurement of loss allowance | 1,295 | 45 | 1,340 |
| Balance at 31 December 2023 | 2,045 | 58 | 2,103 |

In previous financial year, RM2,000 of trade receivables were written off against the impairment loss provided but 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Credit risk *cont'd*

(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"). The deposits will be received at the end of respective lease. The marketing claims will be received at the end of respective 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 recognised impairment losses of RM871,000 (2022: nil) to other receivables, while 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.

(v) Financial guarantees

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*.

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 RM33,300,000 (2022: RM13,500,000) 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

In previous financial year, the Company provided unsecured loans to subsidiaries. The Company monitors the results of the subsidiaries regularly.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Credit risk *cont'd*

(vi) Inter-company loans *cont'd*

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.5 Liquidity risk *cont'd*

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 |
| 2023 | | | | | | |
| Group | | | | | | |
| <i>Non-derivative financial liabilities:</i> | | | | | | |
| Banker's acceptances | 33,300 | 3.7 – 4.8% | 33,579 | 33,579 | - | - |
| Hire purchase | 167 | 2.06% | 170 | 102 | 68 | - |
| Lease liabilities | 5,771 | 3 – 4.25% | 6,256 | 2,131 | 2,103 | 2,022 |
| Payables and accruals | 309,041 | - | 309,041 | 309,041 | - | - |
| | 348,279 | | 349,046 | 344,853 | 2,171 | 2,022 |
| Forward exchange contracts (gross settled): | | | | | | |
| Outflow | 1,629 | - | 118,630 | 118,630 | - | - |
| Inflow | - | - | (117,001) | (117,001) | - | - |
| | 338,474 | | 339,241 | 335,048 | 2,171 | 2,022 |
| Company | | | | | | |
| <i>Non-derivative financial liabilities:</i> | | | | | | |
| Payables and accruals | 9,733 | - | 9,733 | 9,733 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.5 Liquidity risk *cont'd*

Maturity analysis cont'd

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 |
|--|------------------------------|--------------------------------------|-------------------------------------|---------------------------|--------------------------|--------------------------|
| 2022 | | | | | | |
| Group | | | | | | |
| <i>Non-derivative financial liabilities:</i> | | | | | | |
| Banker's acceptances | 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 | - | - |
| | <u>280,003</u> | | <u>280,181</u> | <u>279,858</u> | <u>160</u> | <u>163</u> |
| <i>Derivative financial liabilities:</i> | | | | | | |
| Forward exchange contracts (gross settled): | | | | | | |
| Outflow | 4,544 | - | 145,584 | 145,584 | - | - |
| Inflow | - | - | (141,040) | (141,040) | - | - |
| | <u>284,547</u> | | <u>284,725</u> | <u>284,402</u> | <u>160</u> | <u>163</u> |
| Company | | | | | | |
| <i>Non-derivative financial liabilities:</i> | | | | | | |
| Payables and accruals | <u>9,491</u> | - | <u>9,491</u> | <u>9,491</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 23.5% (2022: 26.8%) 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 | |
|----------------------------|--------------------|-----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Cash and bank balances | 862 | (49) |
| Trade payables | (103,554) | (107,047) |
| Forward exchange contracts | (1,629) | (4,544) |
| Net exposure | (104,321) | (111,640) |

Currency risk sensitivity analysis

A 10% (2022: 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 | |
|-------|----------------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| USD | 7,928 | 8,485 |

A 10% (2022: 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

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

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*

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 | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Fixed rate instruments | | | | |
| Financial assets | - | - | - | 25,300 |
| Lease liabilities | 5,771 | 2,227 | - | - |
| Hire purchase liabilities | 167 | - | - | - |
| | 5,938 | 2,227 | - | 25,300 |
| Floating rate instruments | | | | |
| Financial liabilities | 33,300 | 13,500 | - | - |

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 have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---------------------------|------------------------------|------------------------------|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| 2023 | | |
| Floating rate instruments | (253) | 253 |
| 2022 | | |
| Floating rate instruments | (103) | 103 |

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*

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 |
|------------------------------|--|-----------------|----------------------------|
| 2023 | | | |
| Financial assets | | | |
| Amount due from a subsidiary | 4 – 4.25 | - | - |
| 2022 | | | |
| Financial assets | | | |
| Amount due from a subsidiary | 3.25 | 25,300 | 25,300 |

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 RM'000 | Carrying amount RM'000 |
|-------------------------------|--|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|----------------------------------|------------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | | |
| 2023 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Quoted equity in Malaysia | 92 | - | - | 92 | - | - | - | - | 92 | 92 |
| Club membership | - | - | - | - | - | - | 62 | 62 | 62 | 62 |
| Trade receivables | - | - | - | - | - | - | 3,175 | 3,175 | 3,175 | 3,175 |
| Financial liabilities | | | | | | | | | | |
| Forward exchange contracts | - | (1,629) | - | (1,629) | - | - | - | - | (1,629) | (1,629) |

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.7 Fair value information *cont'd*

| 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 | | |
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | | | | | | | |
| Quoted equity in Malaysia | 169 | - | - | 169 | - | - | - | - | 169 | 169 |
| Club membership | - | - | - | - | - | - | 62 | 62 | 62 | 62 |
| Financial liabilities | | | | | | | | | | |
| Forward exchange contracts | - | (4,544) | - | (4,544) | - | - | - | - | (4,544) | (4,544) |

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).

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 (2022: 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.

Trade receivable

The trade receivable with payment term of more than 1 year is stated at the present value, computed using discounted cash flows based on a rate of 4.25%.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.8 Material accounting policy information

The Group and the Company apply settlement date accounting for regular way purchase or sale of financial assets.

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 124 to 168 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board 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 2023 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: 29 March 2024

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 124 to 168 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 29 March 2024.

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 2023 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 material accounting policy information, as set out on pages 124 to 168.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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

(Note 11 – Receivables and deposits of the financial statements)

The key audit matter

The Group has significant trade receivables balances which amounted to 46.2% 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 2023, RM7.2 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 the 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 other information identified above and, in doing so, consider whether the other information 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 this other information, 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.

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, IFRS Accounting 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.

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

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.

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.

INDEPENDENT AUDITORS' REPORT

To the Members of VSTECs Berhad (Registration No. 199501021835 (351038-H))
(Incorporated in Malaysia)
cont'd

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: 03484/02/2026 J
Chartered Accountant

Petaling Jaya

Date: 29 March 2024

ANALYSIS OF SHAREHOLDINGS

As at 18 March 2024

| | |
|---|-------------------------------|
| Total number of issued shares | : 360,000,000 ordinary shares |
| Voting rights | : 1 vote per ordinary share |
| Treasury shares as at 18 March 2024 | : 3,444,600 ordinary shares |
| Adjusted capital (after netting treasury shares as at 18 March 2024) | : 356,555,400 ordinary shares |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shareholdings | % |
|------------------------|---------------------|----------------|----------------------|----------------|
| 1 – 99 | 32 | 0.765 | 630 | 0.000 |
| 100 – 1,000 | 611 | 14.617 | 364,248 | 0.102 |
| 1,001 – 10,000 | 2,295 | 54.904 | 11,329,070 | 3.177 |
| 10,001 – 100,000 | 1,084 | 25.933 | 33,532,752 | 9.124 |
| 100,001 – 17,827,769* | 155 | 3.708 | 94,148,700 | 26.405 |
| 17,827,769 and above** | 3 | 0.071 | 218,180,000 | 61.191 |
| Total | 4,180 | 100.000 | 356,555,400 | 100.000 |

* 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 International Nominees Malaysia (Asing) Sdn. Bhd. <i>Exempt An for CGS International Securities (Singapore) Pte. Ltd. (Retail Clients)</i> | 16,186,800 | 4.539 |
| 5. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund</i> | 7,209,600 | 2.022 |
| 6. | CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chiew Chieng Siew (MK0111)</i> | 6,916,100 | 1.939 |
| 7. | Melco Holdings Inc. | 6,000,000 | 1.682 |
| 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 | 2,314,000 | 0.648 |
| 11. | Lim Kooi Fui | 2,061,400 | 0.578 |
| 12. | Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Gan Tee Jin</i> | 1,800,000 | 0.504 |

ANALYSIS OF SHAREHOLDINGS

As at 18 March 2024
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> | 1,630,000 | 0.457 |
| 14. | Lim Yin Sew | 1,130,000 | 0.316 |
| 15. | Federlite Holdings Sdn. Bhd. | 1,061,300 | 0.297 |
| 16. | Chong Chiew Tshung | 1,053,000 | 0.295 |
| 17. | Migan Sdn. Bhd. | 1,021,500 | 0.286 |
| 18. | Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledge Securities Account for Chong Khong Shoong</i> | 1,000,000 | 0.280 |
| 19. | Public Nominees (Tempatan) Sdn. Bhd. <i>Pledge Securities Account for Chong Khong Shoong (E-IMO/JSI)</i> | 1,000,000 | 0.280 |
| 20. | Gan Kho @ Gan Hong Leong | 903,100 | 0.253 |
| 21. | Tan Tiang Choon | 857,800 | 0.240 |
| 22. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund</i> | 823,300 | 0.230 |
| 23. | Maybank Nominees (Tempatan) Sdn. Bhd. <i>Jincan Sdn. Bhd.</i> | 801,000 | 0.224 |
| 24. | Gan Kho @ Gan Hong Leong | 777,600 | 0.218 |
| 25. | Foo Lek Choong | 713,400 | 0.200 |
| 26. | Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Kejutaan Holdings Sdn. Bhd. (E-IMO)</i> | 700,000 | 0.196 |
| 27. | Koo Git Loo @ Chiu Git Loo | 675,000 | 0.189 |
| 28. | CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB for General Technology Sdn. Bhd. (PB)</i> | 607,000 | 0.170 |
| 29. | Ong Lay Huah | 604,000 | 0.169 |
| 30. | HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chong Khong Shoong</i> | 600,000 | 0.168 |
| | | 283,295,700 | 79.453 |

ANALYSIS OF SHAREHOLDINGS

As at 18 March 2024
cont'd

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2024

| Name | Direct Interest | | Indirect Interest | |
|-------------------------------------|-----------------|--------|----------------------------|--------|
| | No. of Shares | % | No. of Shares | % |
| VSTECS Holdings (Singapore) Limited | 160,186,800 | 44.926 | - | - |
| VSTECS Holdings Limited | - | - | 160,186,800 ⁽¹⁾ | 44.926 |
| 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 ⁽²⁾ | 12.394 |
| Foo Lek Choong | 713,400 | 0.200 | 43,380,000 ⁽³⁾ | 12.166 |
| Foo Teen Wyne | 99,000 | 0.028 | 43,380,000 ⁽⁴⁾ | 12.166 |

DIRECTORS' SHAREHOLDINGS AS AT 18 MARCH 2024

| Name | Direct Interest | | Indirect Interest | |
|----------------------------------|-----------------|-------|---------------------------|--------|
| | No. of Shares | % | No. of Shares | % |
| Lee Marn Fong @ Wu Marn Fong | - | - | 44,192,400 ⁽²⁾ | 12.394 |
| Soong Jan Hsung | 450,000 | 0.126 | - | - |
| Dato' Khoo Sin Aik | - | - | 10,000 ⁽⁵⁾ | 0.003 |
| Abdul Aziz bin Zainal Abidin | - | - | - | - |
| Ong Wei Hiam | - | - | - | - |
| Anne Rodrigues Nee Koh Lan Heong | - | - | - | - |
| Josephine Phan Su Han | - | - | - | - |

Notes

⁽¹⁾ VSTECS Holdings (Singapore) Limited is a wholly-owned subsidiary of VSTECS Holdings Limited.

⁽²⁾ By virtue of her substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and the shareholdings of her children.

⁽³⁾ By virtue of his substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

⁽⁴⁾ By virtue of her substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

⁽⁵⁾ By virtue of the shareholdings of his spouse.

NOTICE OF TWENTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth (“28th”) 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, 14 May 2024 at 10:30 a.m., or at any adjournment thereof, for the following purposes:-

| | |
|------------------------------|--|
| Day, Date and Time | Tuesday, 14 May 2024 at 10:30 a.m. |
| Meeting Platform | SSeP at https://www.sshsb.net.my/ |
| Meeting Title | VSTECs BERHAD’S 28TH AGM |
| Broadcast Venue | Training Room, VSTECs Berhad, Lot 3, Jalan Teknologi 3/5, Taman Sains Selangor, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan |
| Mode of Communication | <p>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.</p> <p>Prior to the AGM:-</p> <p>(1) Submit questions to the Board prior to the AGM by writing/emailing to secretariat@vstecs.com.my, no later than 10:30 a.m. on Sunday, 12 May 2024.</p> <p>During the AGM:-</p> <p>Primary Mode of Communication</p> <p>(2) Pose questions to the Board vide real-time submission of typed texts at https://sshsb.net.my/ during the live streaming of the AGM.</p> <p>Alternative Mode of Communication</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 eservices@sshsb.com.my 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 2023 **(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. Ong Wei Hiam; and **(Resolution 1)**
 - Dato’ Khoo Sin Aik. **(Resolution 2)**
- To re-elect Madam Josephine Phan Su Han, a Director who retires in accordance with Clause 21.10 of the Constitution of the Company. **(Resolution 3)**
- To approve the payment of the following Directors’ fees:-
 - RM468,681/- for the financial year ended 31 December 2023; and **(Resolution 4)**
 - RM488,280/- for the financial year ending 31 December 2024. **(Resolution 5)**
- 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 6)**

NOTICE OF TWENTY-EIGHTH 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 7)*
- 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 RM100,000/- (Ringgit Malaysia: One Hundred thousand) only for the period from 1 June 2024 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 8)*
- 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 9)*
- 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-EIGHTH 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; 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-EIGHTH ANNUAL GENERAL MEETING

cont'd

9. **ORDINARY RESOLUTION NO. 4**

(Resolution 10)

- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("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 15 April 2024 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 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 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: 15 April 2024

Notes:-

(A) Information for Shareholders/ Proxies

1. As a measure to support increased shareholder participation, VSTECs shall conduct the 28th 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.

NOTICE OF TWENTY-EIGHTH ANNUAL GENERAL MEETING

cont'd

Shareholders **WILL NOT BE ALLOWED** to attend the 28th 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 7 May 2024 ("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 28th AGM via real time submission of typed texts through a text box within SSeP's platform during the live streaming of the 28th 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@sshbsb.com.my during the 28th 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.sshbsb.net.my/>. Please refer to the Administrative Guide for procedures to utilise the RPV facilities.
8. **Publication of Notice of 28th 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_2023.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, 12 May 2024 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: eservices@sshbsb.com.my |
| Electronic appointment | SSeP Weblink: https://www.sshbsb.net.my/ |

NOTICE OF TWENTY-EIGHTH ANNUAL GENERAL MEETING

cont'd

(B) Audited Financial Statements for the financial year ended 31 December 2023

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 28th 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. Ong Wei Hiam and Dato' Khoo Sin Aik for re-election as Directors pursuant to Clause 21.6 of the Constitution of the Company, and Madam Josephine Phan Su Han 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 28th 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 2023 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 2023 was RM468,681/-.
The Proposed Directors' Fees for the financial year ending 31 December 2024 was RM488,280/-.*

The Resolutions 4 and 5, if approved, will authorise the payment of Directors' Fees pursuant to Clause 21.4 of the Constitution of the Company. Resolution 5 was brought forward for approval of the shareholders at the forthcoming 28th AGM of the Company instead of the next 29th AGM of the Company in order to address the long payment gap between financial year ended and the next AGM in mid-year.

(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 2024. 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 28th AGM of the Company under Resolution 6. 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 2023 of the Company.

Explanatory Notes to Special Business:-

(F) Payment of Benefits Payable

Under proposed Resolution 7, 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 comprise of 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 28th AGM of the Company under proposed Resolution 8 (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-Seventh AGM of the Company held on 16 May 2023 (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 a 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-EIGHTH ANNUAL GENERAL MEETING

cont'd

(H) Proposed Renewal of Share Buy-Back

The proposed Resolution 9, 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 Part A of the Circular/Statement to Shareholders dated 15 April 2024 circulated together with this Annual Report.

(I) Proposed Renewal of Existing Shareholders' Mandate

The proposed Resolution 10, 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 Part B of the Circular/Statement to Shareholders dated 15 April 2024 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-

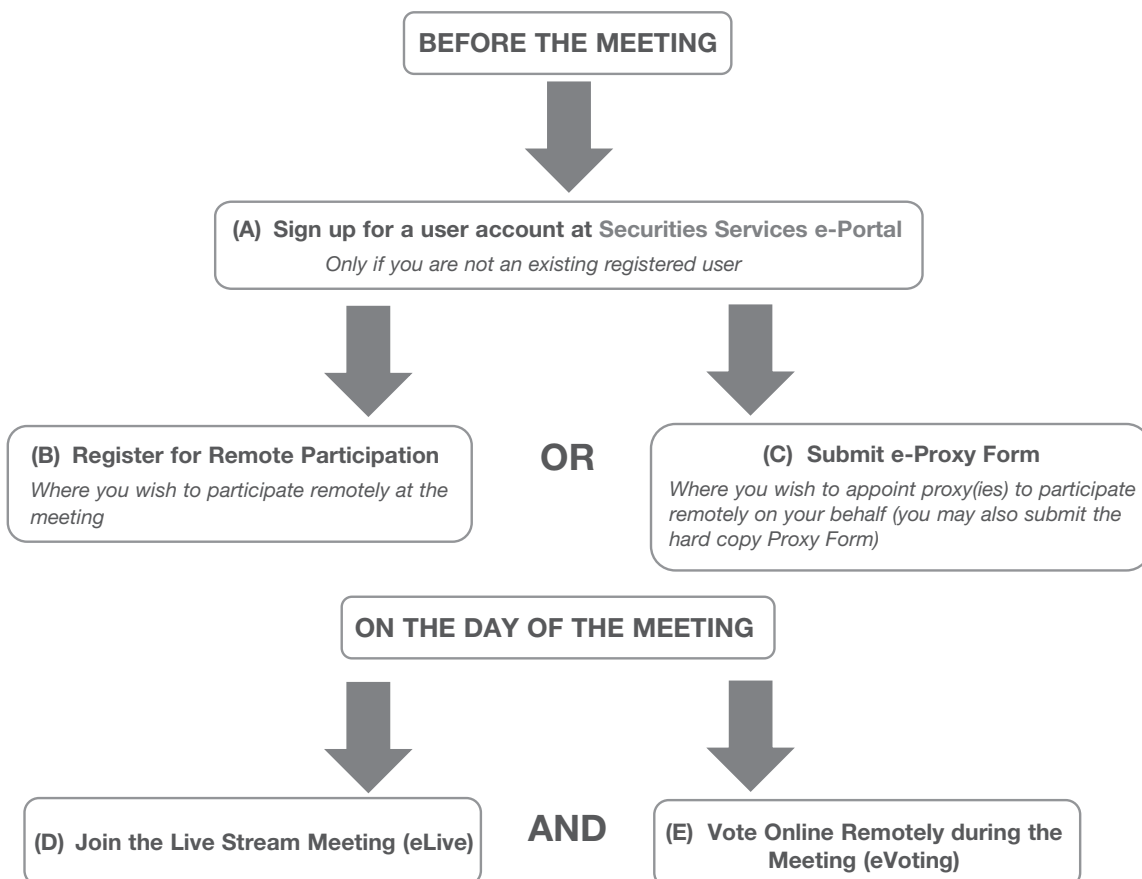
- Submit proxy form electronically – paperless submission
- Register for remote participation and voting at meetings
- Participate in meetings remotely via live streaming
- Vote online remotely on resolution(s) tabled at meetings (referred to as “**e-Services**”)

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. Rachel Ou (DID: +603 2084 9161) or Cik Nur Syazana (DID: +603 2084 9169) or En. Afiq Aiman (DID: +603 2084 9007) 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@sshhsb.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 https://sshsb.net.my/</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"> We require one (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. Your registered email address is your User ID. |
|---|--|

To register for the meeting under (B) below, please sign up for a user account by **12 MAY 2024**.

To submit e-Proxy Form under (C) below, please sign up for a user account by **9 MAY 2024**, 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 **28th AGM on 14 May 2024 at 10:30 a.m. – Registration for Remote Participation** under 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 one (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 7 May 2024.
- 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

| (C) Submit e-Proxy Form | |
|--|--|
| Meeting Date and Time | Proxy Form Submission Closing Date and Time |
| Tuesday, 14 May 2024 at 10:30 a.m. | Sunday, 12 May 2024 at 10:30 a.m. |
| <ul style="list-style-type: none"> ➤ Log in to https://sshsb.net.my/ with your registered email and password. ➤ Look for VSTECS Berhad under Company Name and 28th AGM on 14 May 2024 at 10:30 a.m. – Submission of Proxy Form under Event and click “>” to submit your proxy forms online for the meeting by the submission closing date and time above. | |
| <p>Step 1 Check if you are submitting the proxy form as –</p> <ul style="list-style-type: none"> ■ Individual shareholder ■ Corporate or authorised representative of a body corporate <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 one (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 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). You may appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.</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"> • A copy of your submitted e-Proxy Form can be accessed via My Records (refer to the left navigation panel). • You need to submit your e-Proxy Form for every CDS account(s) you have or represent. | |
| PROXIES | |
| <p>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 9 MAY 2024. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY. 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

Tuesday, 14 May 2024 at 10:30 a.m.

eLive Access Date and Time

Tuesday, 14 May 2024 at 10:00 a.m.

- Look for **VSTECS Berhad** under Company Name and **28th AGM on 14 May 2024 at 10:30 a.m. – Live Stream Meeting** under Event and click “>” to join the meeting.

- The access to the live stream meeting will be opened on the abovementioned date and time.
- 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.

(E) Vote Online Remotely during the Meeting (eVoting)

Meeting Date and Time

Tuesday, 14 May 2024 at 10:30 a.m.

eVoting Access Date and Time

Tuesday, 14 May 2024 at 10:30 a.m.

- If you are already accessing the Live Stream Meeting, click **Proceed to Vote** under the live stream player.
OR
- If you are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for **VSTECS Berhad** under Company Name and **28th AGM on 14 May 2024 at 10:30 a.m. – Remote Voting** under Event and click “>” to remotely cast and submit the votes online for the resolutions tabled at the meeting.

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.

- The access to eVoting will be opened on the abovementioned date and time.
- Your votes casted will apply throughout all 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.
- The access to eVoting will close as directed by the Chairman of the meeting.
- A copy of your submitted eVoting can be accessed via **My Records** (refer to the left navigation panel).

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PROXY FORM

VSTECS BERHAD

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

| | |
|---------------------------|------------------------|
| No. of Shares Held | CDS Account No. |
| | |
| Contact Number | Email Address |
| | |

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-Eighth ("28th") 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, 14 May 2024 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% |

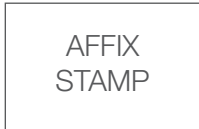
In the case of a vote by a show of hands, my proxy _____ (one only) shall vote on *my/our behalf.

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.

| Resolutions | For | Against |
|--|------------|----------------|
| Resolution 1 Re-election of Mr. Ong Wei Hiam as Director pursuant to Clause 21.6 of the Company's Constitution | | |
| Resolution 2 Re-election of Dato' Khoo Sin Aik as Director pursuant to Clause 21.6 of the Company's Constitution | | |
| Resolution 3 Re-election of Madam Josephine Phan Su Han as Director pursuant to Clause 21.10 of the Company's Constitution | | |
| Resolution 4 Payment of Directors' Fees for the financial year ended 31 December 2023 | | |
| Resolution 5 Payment of Directors' Fees for the financial year ending 31 December 2024 | | |
| Resolution 6 Re-appointment of KPMG PLT as Auditors and to fix their remuneration | | |
| Resolution 7 Ordinary Resolution No. 1 – Payment of Benefits Payable to the Directors | | |
| Resolution 8 Ordinary Resolution No. 2 – Authority to Issue Shares | | |
| Resolution 9 Ordinary Resolution No. 3 – Proposed Renewal of Share Buy-Back | | |
| Resolution 10 Ordinary Resolution No. 4 – Proposed Renewal of Shareholders' Mandate | | |

Dated this _____ day _____ 2024.

Signature of Member/Common Seal



The Poll Administrator
for the 28th 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 measure to support increased shareholder participation, VSTECs shall conduct the 28th 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 28th 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 **7 May 2024** (“**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 28th AGM via real time submission of typed texts through a text box within SSeP’s platform during the live streaming of the 28th 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 during the 28th 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.
- Publication of Notice of 28th 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_2023.html.

- 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, 12 May 2024 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: eservices@sshsb.com.my |
| Electronic appointment | SSeP Weblink: https://www.sshsb.net.my/ |

(B) Audited Financial Statements for the financial year ended 31 December 2023

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

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