

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5162
COMPANY NAME : VSTECs BERHAD
FINANCIAL YEAR : 31 DECEMBER 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the overall corporate governance, strategic direction, corporate goals and therefore monitors the achievement of these goals. It provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities:-</p> <p>(a) Reviewing and adopting a strategic plan for the Company</p> <p>The Board plays an active role in the development of the Group's strategic plan. It has in place a strategic plan whereby Management updates the Board on the progress of implementation of the strategic plan regularly. Mr. Soong Jan Hsung ("Mr. Soong"), the Chief Executive Officer ("CEO") updates the Board on the progress of the implementation of the strategic initiatives by the Management at every quarterly Board Meetings.</p> <p>In those sessions, the Board reviews and deliberates on Management's progress towards achieving the strategic initiatives, as well as providing guidance to Management's methods to deliver the best outcomes.</p> <p>(b) Overseeing the conduct of the Company's business</p> <p>The Board monitors the performance of Management on a regular basis by having the following regular agenda item in the Board Meetings which is "<i>Group Performance Review for the Current Quarter ended and Current Year-to-date</i>".</p> <p>For financial year 2019 ("FY2019"), Mr. Soong was responsible for presenting the above agenda item to the Board for review and consideration.</p> <p>(c) Identification of principal risks and implementation of appropriate internal control and mitigation measures</p> <p>Mindful of its duties in terms of identification of principal risks as well as the need to institute risk management and internal control</p>

measures, the Board has adopted an Enterprise Risk Management (“ERM”) Framework to manage its risk and opportunities.

A Management Committee known as 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 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 FY2019, 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.

(d) Succession Planning

One of the most fundamental components of good corporate governance is the establishment of an effective company hierarchy.

The Board, with the assistance of the Nominating Committee (“NC”) and working with the CEO and Human Resource Department, oversees executive officers’ development and corporate succession plans for the CEO and other executive officers to provide for continuity in senior management.

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.

Mr. Foo Sen Chin (“Mr. Foo”) was elected as the Executive Chairman on 1 January 2015 following the appointment of Mr. Soong as the Executive Director/ CEO on the same day. The Board has adopted a phased approach where Mr. Foo would be gradually relinquished all his executive roles to the CEO as part of the orderly succession planning process. Subsequently, Mr. Foo has been re-designated as the Non-Independent Non-Executive Chairman of VSTECs Berhad with effect from 1 January 2018.

In compliance with Guidance 1.1 of the MCCG, the Board has formalised a Succession Planning Policy to ensure the Group’s continuity in leadership for all key positions. This Policy has outlined the measures in place as well as the development processes for the orderly succession of senior management personnel. A copy of this Policy is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.

	<p>(e) Overseeing the development and implementation of a shareholder communications policy for the company</p> <p>In compliance with Guidance 1.1 of the MCCG, the Board has adopted a Corporate Disclosure Policy which includes, amongst others, a dedicated Investor Relations (“IR”) section which serves as a guide for the Board to oversee the development of an effective IR programme and strategy to communicate the Corporate vision and mission, strategies, development, financial plans and prospects to investors, the financial community and other stakeholders and accurately and to obtain feedback from the stakeholders.</p> <p>(f) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems</p> <p>The Board has established key control processes to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.</p> <p>The Statement on Risk Management and Internal Control of the Group as set out on Pages 68 to 71 of the Annual Report, provides an overview of the state of risk management and internal controls within the Group.</p>
<p>Explanation for departure</p>	<p>: Not applicable</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: Not applicable</p>
<p>Timeframe</p>	<p>: Not applicable</p>

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The role and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 5.2 of the Board Charter, which is available for reviewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The Chairman is primarily responsible for:-</p> <ul style="list-style-type: none"> • Leading the Board of Directors 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 him/her cause for major concern; • ensuring that Executive Directors 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.
Explanation for departure	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>For FY2019, Mr. Foo, the Non-Independent Non-Executive Chairman, although not an Independent Director, provides strong leadership and objective judgement with regards to ensuring the adequacy and effectiveness of the Board's governance process.</p> <p>Whereas Mr. Soong, the CEO in essence is to ensure the effective implementation of the Group's Business Plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.</p> <p>The Board is of the view that the separation of the positions of the Chairman and the CEO together with the Independent Directors, provides further assurance that there is a balance of power and authority on the Board and effective stewardship of the Group in terms of strategies and business performance.</p> <p>The Board Charter under Paragraphs 5.2 and 5.3 have outlined the Role of the Chairman and the Role of the CEO to ensure accountability and division of responsibilities, and the Board Charter is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p>
Explanation for departure	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

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.

Application	:	Applied
Explanation on application of the practice	:	<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; and• Mr. Cheng Chia Ping, ACIS. <p>Both the Company Secretaries have professional qualifications and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016. One of them is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) whilst the other is an Associate member of the MAICSA.</p> <p>The brief profile of Ms. Chua and Mr. Cheng are as follows:-</p> <p><u>Ms. Chua Siew Chuan (“Ms. Chua”), FCIS</u></p> <p>Ms. Chua has been elected as a Fellow Member of MAICSA since 1997. She has more than 35 years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services.</p> <p>She is the Immediate Past President of MAICSA. Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p><u>Mr. Cheng Chia Ping (“Mr. Cheng”), ACIS</u></p> <p>Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than 10 years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations. Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-</p>

	<ul style="list-style-type: none"> • Statutory duties as required under the Companies Act 2016, Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Capital Market and Services Act 2007; • Facilitating and attending Board Meetings and Board Committee Meetings, respectively; • Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded; • Ensuring timely communication of the Board level decisions to the Management for further action; • Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations; • Maintaining records for the purpose of meeting statutory obligations; • Facilitating the payment of Directors’ Fees to the Non-Independent Non-Executive Directors; • Facilitating the provision of information as may be requested by the Directors from time to time and ensuring adherence to Board policies and procedures; • Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee’s notation; • Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and • Rendering advice and support to the Board and Management.
Explanation for departure	: Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable
Timeframe	: Not applicable

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

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.

Application	:	Applied
Explanation on application of the practice	:	<p>As a standing practice, the Board papers and agenda items have been circulated in electronic form via e-mail at least seven (7) days prior to the Meetings to allow ample time for Directors to consider the relevant information.</p> <p>By leveraging on technology, comprehensive meeting papers comprising background, matters arising, research, analysis, findings/updates, results, presentations, recommendations and any other relevant information are prepared and circulated in advance to enable the Board to make considerations, deliberations and decisions.</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 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 Companies Act 2016.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application :	Applied
Explanation on application of the practice :	<p>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.</p> <p>The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Group's, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails, inter alia, the following main items:-</p> <ul style="list-style-type: none">• Objectives of the Board;• Role of Board;• Board Structure; and• Board Processes. <p>The Board Charter is to be regularly reviewed by the Board as and when required.</p> <p>A copy of the Board Charter is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties. New appointees to the Board undergo a familiarisation programme, which includes visits to the Group's business operations and meetings with key management to facilitate their understanding of the Group's operations and businesses.</p> <p>Where possible, the Company Secretaries will inform the Directors on any updates/ briefings received from any authority(ies) or training providers, to enable the Directors to keep abreast on the latest development/ updates on relevant topic of interest.</p> <p>All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The newly appointed Independent Non-Executive Directors, Dato' Khoo Sin Aik and Encik Abdul Aziz Bin Zainal Abidin had completed the Mandatory Accreditation Programme in January 2020, within the timeframe i.e. four (4) months from the date of appointment as prescribed by Bursa Securities.</p>

	<p>In order to ensure continuing education for the Board to enhance their knowledge and skills for better board participation during meetings, the Board members had attended the following training programmes/seminars/forums during the financial year under review:</p> <table border="1" data-bbox="472 348 1375 1470"> <thead> <tr> <th data-bbox="472 348 708 415">Name of Directors</th> <th data-bbox="708 348 1375 415">Trainings Programmes/Seminars/Forums Attended</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 415 708 594">Foo Sen Chin</td> <td data-bbox="708 415 1375 594"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Preparation for Corporate Liability on Corporation • Corporate Governance & Anti-Corruption </td> </tr> <tr> <td data-bbox="472 594 708 810">Soong Jan Hsung</td> <td data-bbox="708 594 1375 810"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Preparation for Corporate Liability on Corporation • Talk on Corporate Liability • Corporate Governance & Anti-Corruption </td> </tr> <tr> <td data-bbox="472 810 708 926">Wong Heng Chong</td> <td data-bbox="708 810 1375 926"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting </td> </tr> <tr> <td data-bbox="472 926 708 1142">Ahmad Subri Bin Abdullah</td> <td data-bbox="708 926 1375 1142"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Understanding Fintech and its implications for insurance companies • IT Risk Management Training </td> </tr> <tr> <td data-bbox="472 1142 708 1257">Ho Chee Kit</td> <td data-bbox="708 1142 1375 1257"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting </td> </tr> <tr> <td data-bbox="472 1257 708 1373">Ong Wei Hiam</td> <td data-bbox="708 1257 1375 1373"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting </td> </tr> <tr> <td data-bbox="472 1373 708 1470">Chow Ying Chi</td> <td data-bbox="708 1373 1375 1470"> <ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting </td> </tr> </tbody> </table>	Name of Directors	Trainings Programmes/Seminars/Forums Attended	Foo Sen Chin	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Preparation for Corporate Liability on Corporation • Corporate Governance & Anti-Corruption 	Soong Jan Hsung	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Preparation for Corporate Liability on Corporation • Talk on Corporate Liability • Corporate Governance & Anti-Corruption 	Wong Heng Chong	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting 	Ahmad Subri Bin Abdullah	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting • Understanding Fintech and its implications for insurance companies • IT Risk Management Training 	Ho Chee Kit	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting 	Ong Wei Hiam	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting 	Chow Ying Chi	<ul style="list-style-type: none"> • Malaysia ICT Overview 2019 and Beyond • Sustainability Reporting
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Measure	Not applicable																
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Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics 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.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised the following Codes to ensure the implementation of appropriate internal systems for the Management to support, promote and ensure its compliance:-</p> <p>(a) Directors' Code of Ethics</p> <p>This Code is formulated for the Board and every 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 to help foster a culture of honesty and accountability.</p> <p>This Code is designed to enhance the standard of corporate governance and corporate behaviour with the intention of, amongst others to uphold the spirit of professionalism, objectivity, transparency and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing a company.</p> <p>A copy of this Code is available for reviewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>(b) VSTECs's Code of Conduct</p> <p>This Code is established to promote a corporate culture which engenders ethical conduct that permeates throughout the Group. All Directors, management and employees of the Group are to adhere to this Code and comply with the letter and spirit of the following items:-</p> <ul style="list-style-type: none">(i) Human Rights;(ii) Health and Safety;(iii) Environment;(iv) Gifts and Business Courtesies;(v) Anti-Corruption;(vi) Anti-Money Laundering;

	<p>(vii) Company Records and Internal Controls; (viii) Company Assets; (ix) Exclusive Service; (x) Integrity and Professionalism; (xi) Personal Appearance; (xii) Confidential Information; and (xiii) Compliance Obligations.</p> <p>A copy of this Code is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.</p>	
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Whistle-Blowing Policy with the following objectives:-</p> <ul style="list-style-type: none">• Provide an avenue for all employees and members of the public to disclose any improper conduct or action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;• Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;• Address a disclosure in an appropriate and timely manner;• Provide protection for the whistle-blower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and• Treat both the whistle-blower and the alleged wrongdoer fairly. <p>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.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>The Board is in the process to establish an Anti-Bribery Policy for the Group.</p> <p><u>Handling of Reported Allegation(s)</u></p> <p>The AC is responsible for the interpretation and supervision of the enforcement of this Policy. The action to be taken by the Group in response to a report of concern under this Policy will depend on the nature of the concern. The AC shall receive information on each report of concern and ensure that follow-up actions be taken accordingly.</p> <p><u>Communication and Feedback Channels</u></p> <p>In general, whistle blowers are expected to utilise the appropriate channels provided, prior to making public statements (as a last resort measure).</p>

	<p>In line with the advent of technology and electronic communications, report(s) can now be made in verbal or in writing/ e-mail and forwarded in a sealed envelope to the below mentioned designated person(s) labelling with a legend such as “To be opened by the AC Chairman/ Non-Independent Non-Executive Chairman/ CEO or Head of Human Resources only” (where applicable):-</p> <div style="border: 1px solid black; padding: 5px;"> <p>For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated persons:-</p> <p>(1) AC Chairman Mr. Wong Heng Chong at e-mail address: hengchong.wong@gmail.com; or</p> <p>(2) Non-Independent Non-Executive Chairman Mr. Foo Sen Chin at e-mail address: scfoo@vstecs.com.my; or</p> <p>(3) Chief Executive Officer Mr. Soong Jan Hsung at e-mail address: jhsoong@vstecs.com.my</p> </div> <p>For employment-related concerns, one can report directly to the following designated persons:-</p> <p>(1) Head of Human Resources Ms. Shirley Yee at e-mail address: cyyee@vstecs.com.my; or</p> <p>(2) Chief Executive Officer Mr. Soong Jan Hsung at e-mail address: jhsoong@vstecs.com.my</p>
Explanation for departure	: Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable
Timeframe	: Not applicable

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of the Company consists of nine (9) members comprising one (1) Executive Director and eight (8) Non-Executive Directors, of whom five (5) are Independent and therefore the prescribed requirement for one third of the membership of the Board to be independent Board members is fulfilled. This also applies to Practice 4.1 of the MCCG where at least half of the Board comprises independent directors. This independent element brings an objective and independent judgement to the decision-making process of the Board.</p> <p>The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industry in which the Group operates. The individuality and vast experience of the Directors in arriving at collective decisions at board level will ensure impartiality.</p> <p>The Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-</p> <ul style="list-style-type: none"> • AC; • NC; and • Remuneration Committee ("RC"). <p>All of these Committees have written Terms of Reference clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by the Board as a whole.</p>
Explanation for departure	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative 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.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Ms. Ho Chee Kit (" Ms. Ho ") and Encik Ahmad Subri bin Abdullah (" En. Subri ") have reach the nine (9) years limit as an Independent Director of the Company from 15 April 2020 onwards.	
		Ms. Ho and En. Subri have expressed their intention of not seek retention as the Independent Non-Executive Directors of the Company at the forthcoming Twenty-Fourth Annual General Meeting (" AGM "). Therefore, they will retain office until the close of the Twenty-Fourth AGM of the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not applicable

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the NC, undergone the three-staged process as follows, for appointment of the Director:-</p> <ul style="list-style-type: none"> • Stage 1: Review of the potential candidates based on the following criteria:- <ul style="list-style-type: none"> - Qualifications; - Skills and competence; - Functional knowledge; - Experience; - Character; - Gender diversity; - Integrity and professionalism; and - Time commitment. • Stage 2: Board Gaps Review <ul style="list-style-type: none"> - The overall composition of the Board; - Combination of skills of existing Directors; and - Any regulatory requirements and/or best practices available. • Stage 3: Recommendation to the Board <ul style="list-style-type: none"> - The Board approves the appointment of Director <p>The appointment of Dato' Khoo Sin Aik ("Dato' Khoo") and Encik Abdul Aziz Bin Zainal Abidin ("En. Abdul Aziz") as the Independent Non-Executive Directors on 1 January 2020 followed the above process. A list of potential Board candidates was independently recommended to the NC for consideration, without the interference of the Executive Director or Non-Independent Non-Executive Directors. Upon review, the Nominating Committee, having reviewed the skillset, expertise and experience that would be brought forward by Dato' Khoo and En. Abdul Aziz, has recommended both to the Board for approval. Upon deliberation, the Board approved the appointment of Dato' Khoo and En. Abdul Aziz as Independent Non-Executive Directors to with effect from 1 January 2020.</p>
Explanation for departure	:	Not applicable

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	<p>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. A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vstecs.com.my.</p> <p>For FY2019 till to the date of this Statement, the Board currently consists of two (2) female directors who are as follows:-</p> <p>(a) Ms. Ho, a Senior Independent Non-Executive Director, serves as the Chairperson of NC, as well as a member of the AC and RC; and</p> <p>(b) Ms. Chow Ying Chi, the Non-Independent Non-Executive Director, is a member of the RC.</p> <p>The NC is guided by the Board Diversity Policy to review and assess the Board's composition and to consider the benefits that flow from diversity and to appoint candidates based on merit and without prejudice. The NC has also undergone a three staged review process by reviewing the potential candidates based on the particular criteria, Board Gaps Review and Recommendation to the Board.</p> <p>In this regard, the percentage of Board's gender diversity stood at 22%.</p> <p>Upon review of the Board size and composition, the two (2) new Independent Non-Executive Directors were appointed on 1 January 2020.</p>
Explanation for departure	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board uses a variety of sources for the identification of suitable candidates. The Board may rely on recommendations from the existing board members, Management and major shareholders as well as other independent sources.</p> <p>The NC is responsible for recommending suitable candidates to the Board for its consideration. The NC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>As disclosed in the Practice 4.4 of this CG Report, the Board has through the NC, undergone a three-staged review process for the appointment of the Director.</p>	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Ms. Ho Chee Kit, a Senior Independent Non-Executive Director identified by the Board and assumed the role of “Senior Independent Non-Executive Director” since 21 May 2015. Her responsibilities and duties as a Senior Independent Non-Executive Director is outlined in the Board Charter.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

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 and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>Each Director and Board Committee member completes the evaluation and submit the same online via a proprietary online assessment system developed internally by the Company.</p> <p>The NC reviews all the results of assessments upon completion by each Director and Board Committee member, and reports to the Board for notation.</p> <p>The NC conducted the following assessments annually and subsequently reported all results to the Board for notation:-</p> <p>(a) Directors' self-assessment and peer assessment survey</p> <p>In conducting the Survey, the following main criteria were adopted by the NC:-</p> <ul style="list-style-type: none">(i) Contribution to interaction;(ii) Quality of Input; and(iii) Understanding of Role. <p>Based on the Survey conducted for FY2019, the NC was satisfied with the performance of the individual Directors.</p> <p>(b) Evaluation on the effectiveness of the Board of Directors and the Board Committees</p> <p>In conducting the Evaluation, the following main criteria were adopted by the NC:-</p> <ul style="list-style-type: none">• Board Structure;• Board Operations;• Board Roles and Responsibilities;• Board Chairman's Roles and Responsibilities; and• CEO's Roles and Responsibilities. <p>Based on the Evaluation conducted for FY2019, the overall performances in five (5) areas have improved as compared to that of the financial year ended 31 December 2018. The NC was therefore satisfied with the performance of the Board and Committees of the Board.</p>

	<p>(c) Evaluation on the contribution of the CEO</p> <p>The NC conducted an evaluation on the contribution of the CEO for FY2019 and was satisfied with the performance of the CEO.</p> <p>(d) Evaluation on the contribution of the Non-Independent Non-Executive Chairman</p> <p>The NC also conducted an evaluation on the contribution of the Non-Independent Non-Executive Chairman for FY2019 and was satisfied with the performance of the Non-Independent Non-Executive Chairman.</p> <p>(e) Annual Assessment of Independence of Directors</p> <p>As stipulated under the Directors’ Assessment Policy, the Board adopts the concept of independence in tandem with the definition of Independent Director in Paragraph 1.01 of the Main LR of Bursa Securities through the assistance of the NC.</p> <p>The Board noted that Letters of Declaration by Independent Director have been executed by the following Independent Non-Executive Directors (“INEDs”) of the Company, confirming their independence pursuant to relevant Main LR of Bursa Securities and that they have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-</p> <ul style="list-style-type: none"> • Mr. Wong Heng Chong; • Encik Ahmad Subri Bin Abdullah; • Ms. Ho Chee Kit; • Dato’ Khoo Sin Aik; and • Encik Abdul Aziz Bin Zainal Abidin. <p>Based on the outcome of the abovementioned assessments, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.</p> <p>The Board considers that its Independent Directors provide objective and independent views on various issues dealt with at the Board and Board Committee level. All Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholders in the Company through the Board representation.</p>
<p>Explanation for departure</p>	<p>: Not applicable</p>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place 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. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>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 since 20 February 2013 and subsequently revised and updated on 25 April 2016 and 19 March 2018.</p> <p>The RC is guided by the Directors' Remuneration Policy which sets out the criteria to be used in recommending the remuneration package of Directors and CEO of the Company and designed to ensure that the Directors and CEO are paid a remuneration commensurate with the responsibilities of their positions.</p> <p>A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.vsteecs.com.my.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

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.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The RC comprises exclusively of non-executive directors, of whom two are (2) Independent Non-Executive Directors.</p> <p>The RC of the Company was formed to recommend to the Board the remuneration package of Executive Directors and Non-Executive Directors of the Company and its subsidiaries to attract, retain and motivate Directors.</p> <p>The remit of the RC is governed by the Terms of Reference (“TOR”) of the RC. A copy of the TOR of the RC is available for viewing under the “Corporate Governance” section of the Group’s corporate website at www.vstecs.com.my.</p>
Explanation for departure	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	Applied																																																																																																																			
Explanation on application of the practice	<p>The detailed disclosure on named basis for the remuneration of individual directors for the financial year ended 31 December 2019 are as follows:-</p> <ol style="list-style-type: none"> 1. Mr. Foo Sen Chin ("Foo SC") 2. Mr. Soong Jan Hsung ("Soong JH") 3. Ms. Ho Chee Kit ("Ho CK") 4. Mr. Ong Wei Hiam ("Ong WH") 5. Ms. Chow Ying Chi ("Chow YC") 6. Mr. Wong Heng Chong ("Wong HC") 7. En. Ahmad Subri Bin Abdullah ("Subri") 8. Mr. Tay Eng Hoe ("Tay EH") (<i>resigned on 1 June 2019</i>) 9. Dato' Khoo Sin Aik (<i>appointed on 1 January 2020 – Not applicable</i>) 10. En. Abdul Aziz Bin Zainal Abidin (<i>appointed on 1 January 2020 – Not applicable</i>) 																																																																																																																			
	<table border="1"> <thead> <tr> <th rowspan="3">Name of Directors</th> <th colspan="6">COMPANY</th> </tr> <tr> <th>Salaries</th> <th>Fees</th> <th>Meeting Allowance</th> <th>Other Emoluments</th> <th>Benefits-in-kind</th> <th>Total</th> </tr> <tr> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> <th>RM'000</th> </tr> </thead> <tbody> <tr> <td colspan="7">Executive Director</td> </tr> <tr> <td>Soong JH</td> <td>-</td> <td>42</td> <td>-</td> <td>-</td> <td>-</td> <td>42</td> </tr> <tr> <td>Subtotal</td> <td>-</td> <td>42</td> <td>-</td> <td>-</td> <td>-</td> <td>42</td> </tr> <tr> <td colspan="7">Non-Executive Directors</td> </tr> <tr> <td>Foo SC</td> <td>-</td> <td>69</td> <td>3</td> <td>-</td> <td>-</td> <td>72</td> </tr> <tr> <td>Ho CK</td> <td>-</td> <td>62</td> <td>6</td> <td>-</td> <td>-</td> <td>68</td> </tr> <tr> <td>Tay EH</td> <td>-</td> <td>20</td> <td>1</td> <td>-</td> <td>-</td> <td>21</td> </tr> <tr> <td>Wong HC</td> <td>-</td> <td>60</td> <td>5</td> <td>-</td> <td>-</td> <td>65</td> </tr> <tr> <td>Subri</td> <td>-</td> <td>62</td> <td>6</td> <td>-</td> <td>-</td> <td>68</td> </tr> <tr> <td>Ong WH</td> <td>-</td> <td>55</td> <td>6</td> <td>-</td> <td>-</td> <td>61</td> </tr> <tr> <td>Chow YC</td> <td>-</td> <td>47</td> <td>3</td> <td>-</td> <td>-</td> <td>50</td> </tr> <tr> <td>Subtotal</td> <td>-</td> <td>375</td> <td>30</td> <td>-</td> <td>-</td> <td>405</td> </tr> <tr> <td>Total</td> <td>-</td> <td>417</td> <td>30</td> <td>-</td> <td>-</td> <td>447</td> </tr> </tbody> </table>						Name of Directors	COMPANY						Salaries	Fees	Meeting Allowance	Other Emoluments	Benefits-in-kind	Total	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Executive Director							Soong JH	-	42	-	-	-	42	Subtotal	-	42	-	-	-	42	Non-Executive Directors							Foo SC	-	69	3	-	-	72	Ho CK	-	62	6	-	-	68	Tay EH	-	20	1	-	-	21	Wong HC	-	60	5	-	-	65	Subri	-	62	6	-	-	68	Ong WH	-	55	6	-	-	61	Chow YC	-	47	3	-	-	50	Subtotal	-	375	30	-	-	405	Total	-	417	30	-	-	447
Name of Directors	COMPANY																																																																																																																			
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	Name of Directors	GROUP					Total RM'000
		Salaries RM'000	Fees RM'000	Meeting Allowance RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	
		Executive Director					
	Soong JH	1,677	46	-	-	21	1,744
	Subtotal	1,677	46	-	-	21	1,744
Non-Executive Directors							
	Foo SC	-	73	3	360	20	456
	Ho CK	-	62	6	-	-	68
	Tay EH	-	20	1	-	-	21
	Wong HC	-	60	5	-	-	65
	Subri	-	62	6	-	-	68
	Ong WH	-	55	6	-	-	61
	Chow YC	-	47	3	-	-	50
	Subtotal	-	379	30	360	20	789
	Total	1,677	425	30	360	41	2,533
<i>Note: Salary includes bonus and EPF.</i>							
Explanation for departure	Not applicable						
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
Measure	Not applicable						
Timeframe	Not applicable						

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure										
Explanation on application of the practice	:	Not applicable										
Explanation for departure	:	<p>The Company had disclosed the top five senior management's remuneration components in bands width of RM50,000/- but not on named basis due to confidentiality and sensitivity of each remuneration package:-</p> <table border="1"> <thead> <tr> <th>Remuneration Range (RM)</th> <th>Top Five Senior Management</th> </tr> </thead> <tbody> <tr> <td>950,001 – 1,000,000</td> <td>1</td> </tr> <tr> <td>600,001 - 650,000</td> <td>1</td> </tr> <tr> <td>450,001 - 500,000</td> <td>1</td> </tr> <tr> <td>400,001 - 450,000</td> <td>2</td> </tr> </tbody> </table> <p>Alternative Practice:-</p> <p>The Board ensures that the remuneration of senior management is fair and commensurate with the performance of the Company and the contributions made by the senior management, but at the same time it is able to attract, retain and motivate the senior management to excel in their respective roles.</p> <p>The Board, via the RC, review on an annual basis, the following items:-</p> <ul style="list-style-type: none"> • Bonus payments to the senior management team – based on the recommendation of the CEO and the achievement of relevant key performance indicators; and • Salary increments to the senior management team – with the latest salary survey conducted by the Malaysian Employers' Federation as a reference point. 	Remuneration Range (RM)	Top Five Senior Management	950,001 – 1,000,000	1	600,001 - 650,000	1	450,001 - 500,000	1	400,001 - 450,000	2
Remuneration Range (RM)	Top Five Senior Management											
950,001 – 1,000,000	1											
600,001 - 650,000	1											
450,001 - 500,000	1											
400,001 - 450,000	2											
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>												
Measure	:	Not applicable										

Timeframe	:	Not applicable	
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Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted
Explanation on adoption of the practice	:	Not applicable

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	As at the date of the Corporate Governance Overview Statement, the Chairman of the AC is Mr. Wong Heng Chong, an Independent Non-Executive Director while Mr. Foo is the Non-Independent Non-Executive Chairman of the Board.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

There is an effective and independent AC.

The board is able to objectively review the AC's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The AC has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC.

Application	:	Applied
Explanation on application of the practice	:	<p>The TOR of the AC has been updated accordingly to formalise the Company's policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC.</p> <p>None of the members of the Board were former key audit partners and notwithstanding the above provision and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of Board.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

There is an effective and independent AC.

The board is able to objectively review the AC's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The AC has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC has formalised the policies and procedures to assess the suitability, objectivity and independence of external auditors vide an annual assessment of the suitability, objectivity and independence of the external auditors.</p> <p>In its assessment, the AC considered, inter alia, the following factors:-</p> <p>For assessment on "Suitability" of External Auditors:-</p> <ul style="list-style-type: none"> • 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; • 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;

	<ul style="list-style-type: none"> • 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. <p>The AC noted, for the financial year ended 31 December 2019, KPMG PLT, the External Auditors of the Group confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>Upon completion of its assessment, the AC was satisfied with KPMG PLT's technical competency, objectivity 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 financial year ending 31 December 2020. The Board has in turn recommended the same for shareholders' approval at the forthcoming Twenty-Fourth AGM of the Company.</p>
Explanation for departure	: Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not applicable
Timeframe	: Not applicable

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The AC should comprise solely of Independent Directors.

Application	:	Not adopted
Explanation on adoption of the practice	:	Not applicable

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>In view of the AC Members' Self and Peer Evaluation undertaken by each AC member, the AC as a whole is financially literate. The members of the AC have the relevant accounts or related experience and expertise in financial service industry to effectively discharge their duties.</p> <p>The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profile of the Annual Report.</p> <p>All the members of the AC received ongoing trainings and development as detailed in Practice 2.1 of this Corporate Governance Report.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied																								
Explanation on application of the practice	:	<p>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.</p> <p>The Board has adopted an Enterprise Risk Management ("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.</p> <p>The ERM Committee comprises six (6) members from the Senior Management Team and chaired by the CEO who is also the Board's representative. The composition of the ERM Committee is as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name</th> <th style="text-align: center;">Position</th> <th style="text-align: center;">Designation</th> </tr> </thead> <tbody> <tr> <td>Foo Sen Chin</td> <td style="text-align: center;">Advisor</td> <td style="text-align: center;">Non-Independent Non-Executive Chairman</td> </tr> <tr> <td>Soong Jan Hsung</td> <td style="text-align: center;">Chairman</td> <td style="text-align: center;">Chief Executive Officer</td> </tr> <tr> <td>Tee Ang Kuan</td> <td style="text-align: center;">Member</td> <td style="text-align: center;">Group General Manager</td> </tr> <tr> <td>Chan Puay Chai</td> <td style="text-align: center;">Member</td> <td style="text-align: center;">Chief Financial Officer</td> </tr> <tr> <td>Chuah Kee Heng</td> <td style="text-align: center;">Member</td> <td style="text-align: center;">General Manager (VSTECS Astar Sdn. Bhd.)*</td> </tr> <tr> <td>Li Chin Yeo</td> <td style="text-align: center;">Member</td> <td style="text-align: center;">General Manager (VSTECS Pericom Sdn. Bhd.)*</td> </tr> <tr> <td>Foo Lek Choong</td> <td style="text-align: center;">Member</td> <td style="text-align: center;">Chief Information Officer</td> </tr> </tbody> </table> <p>*Wholly-owned subsidiaries of VSTECS Berhad.</p> <p>The ERM Committee is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks</p>	Name	Position	Designation	Foo Sen Chin	Advisor	Non-Independent Non-Executive Chairman	Soong Jan Hsung	Chairman	Chief Executive Officer	Tee Ang Kuan	Member	Group General Manager	Chan Puay Chai	Member	Chief Financial Officer	Chuah Kee Heng	Member	General Manager (VSTECS Astar Sdn. Bhd.)*	Li Chin Yeo	Member	General Manager (VSTECS Pericom Sdn. Bhd.)*	Foo Lek Choong	Member	Chief Information Officer
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	<p>identified are then presented to the AC for review on a quarterly basis. The ERM Committee together with the operating units will ensure the timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.</p> <p>The internal controls are tested for effectiveness and efficiency two cycles per financial year via an Independent Outsourced Internal Audit function. The report of the Internal Audit is tabled for the AC's review and comments, and the audit findings will then be communicated to the Board.</p>	
<p>Explanation for departure</p>	<p>: Not applicable</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>: Not applicable</p>	
<p>Timeframe</p>	<p>: Not applicable</p>	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The ERM Committee is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are then presented to the AC for review on a quarterly basis. The ERM Committee together with the operating units will ensure the timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.</p> <p>As part of the risk mitigation measures, the Board has established the following policies:-</p> <p>(i) Insider Dealing Policy</p> <p>Insider dealing or trading is defined as the purchase or sale of the Company's securities affected by or on behalf of a person with knowledge of relevant but non-public material information regarding that company. The insider is in a position to make massive gains by selling or buying securities before information that might affect the price of the Company's securities (price-sensitive information) is made public.</p> <p>This policy aims mainly to prevent insider dealing of securities and ensure transparency and fairness in dealing with all stakeholders of the Group.</p> <p>This Policy has been revised on 25 April 2016 and an updated 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> <p>(ii) Succession Planning Policy</p> <p>The Succession Planning Policy is intended to address the Group's continuity in leadership for all key positions.</p> <p>Succession planning is an on-going process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level</p>

	<p>management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.</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> <p>(iii) Related Party Transaction Policy</p> <p>The Company is principally an investment holding company which is also involved in the provision of E-Commerce systems and solutions. It is anticipated that the Group would, in ordinary course of business, enter into transactions of a revenue or trading nature with a related party or parties.</p> <p>The Board has formalised a Related Party Transactions (“RPT”) Policy which is designed to ensure the RPTs carried out in the ordinary course of business, are made at arm’s length and on normal commercial terms which are not more favourable to the related party or parties than those generally available to the public and are not on terms that are detrimental to the minority shareholders of the Company.</p> <p>This policy also aims to comply with the Part E, Paragraphs 10.08 and 10.09 of the Main LR of Bursa Securities.</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> <p>The internal controls are tested for effectiveness and efficiency two cycles per financial year by an Independent Outsourced Internal Audit service provider. Their report of the Internal Audit is tabled for the AC’s review and comments, and the audit findings will then be communicated to the Board.</p> <p>Separately, the Company maintains an In-House Internal Audit Department (“IAD”) as an additional internal control mechanism. The In-House Internal Auditors communicate regularly with and report directly to the AC. For FY2019, the In-House Internal Auditors met up four (4) times with the AC.</p> <p>The Statement on Risk Management and Internal Control of the Group in the Annual Report provides an overview of the state and features of risk management and internal controls within the Group.</p>
<p>Explanation for departure</p>	<p>: Not applicable</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not applicable

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Outsourced Internal Auditors and In-House Internal Audit Manager communicate regularly with and report directly to the AC. For FY2019, the Outsourced Internal Auditors' representative met up three (3) times with the AC.</p> <p>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> <p>Outsourced Internal Auditors</p> <p>At the AC Meeting held on 7 November 2018, the Outsourced Internal Auditors have presented to the AC the Internal Audit Function's Annual Audit Plan ("the Outsourced Annual Audit Plan") for year 2019, encompassing the following audit visits and timing:-</p> <p>(a) First Visit (January – June 2019)</p> <p>VSTECS Pericomp Sdn. Bhd.</p> <ul style="list-style-type: none">• Project Management• Credit Control <p>VSTECS Ku Sdn. Bhd.</p> <ul style="list-style-type: none">• Support Services• Credit Control <p>VSTECS Berhad Group</p> <ul style="list-style-type: none">• Half-yearly Recurrent Related Party Transactions Review <p>(b) Second Visit (July - December 2019)</p> <p>VSTECS Berhad Group</p> <ul style="list-style-type: none">• Security & Access Control to Enterprise Resource Planning ("ERP") Database and Reporting Portal• Procurement & Accounts Payable Management• Vendor and Service Provider Contract Management• Half-yearly Recurrent Related Party Transactions Review <p>The AC has resolved that the Outsourced Annual Audit Plan for year 2019 be approved for adoption.</p>

	<p>For FY2019, the Outsourced Internal Auditors have successfully completed their audit visits and reporting as per the approved Outsourced Annual Audit Plan.</p> <p>In-House Internal Audit Department</p> <p>The In-House Internal Auditors communicate regularly with and report directly to the AC. For FY2019, the In-House Internal Auditors met up four (4) times with the AC.</p> <p>At the AC Meeting held on 7 November 2018, the In-House Internal Audit Manager has presented to the AC the In-House Internal Audit Function’s Audit Plan for year 2019, encompassing the following key areas:-</p> <ul style="list-style-type: none"> • Human Resource – First Quarter 2019 • ERP Usage – Second Quarter 2019 • Credit –Third Quarter 2019 • Physical Inventory Management – Fourth Quarter 2019 <p>The AC has subsequently approved the In-House Audit Plan for year 2019.</p> <p>For FY2019, the In-House Internal Audit Department Auditors have successfully carried out their audit assignments and reporting as per the approved In-House Audit Plan for year 2019.</p> <p>Internal Audit Assessment</p> <p>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>	
<p>Explanation for departure</p>	<p>: Not applicable</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>: Not applicable</p>	
<p>Timeframe</p>	<p>: Not applicable</p>	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- 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.

Application	:	Applied	
Explanation on application of the practice	:	Further details of the internal audit functions were disclosed in the AC Report of the Annual Report.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations.</p> <p>The Board has developed internal corporate disclosure practices to ensure communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.</p> <p>The Board has on 3 August 2016 adopted the Corporate Disclosure Policy which superseded the Investor Relations Policy, to ensure only designated spokespersons will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.</p> <p>The Company has a website which is accessible at www.vstecs.com.my.</p> <p>The Board has designated a limited number of spokespersons who responsible for communication with investment community, regulators and media.</p> <p>Primary Spokespersons:-</p> <ul style="list-style-type: none">(i) Non-Independent Non-Executive Chairman(ii) Chief Executive Officer <p>The Company's Non-Independent Non-Executive Chairman and Chief Executive Officer have 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.</p> <p>Secondary Spokesperson:-</p> <ul style="list-style-type: none">(i) Chief Financial Officer/ Company Secretary <p>The Chief Financial Officer/ Company Secretary may only communicate to audience constituents on information already in the public domain,</p>

unless they are authorised by the Primary Spokespersons to undertake broader communications.

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.

The Company provides regular investor briefings with research analysts and fund managers, to promote clear and transparent communications to the investment community.

Analysts and media briefings

The Group has carried out the engagement activities during FY2019 as set out below:-

21 February 2019 Press Release on 4Q 2018 Results	19 March 2019 Research Report posted on 4Q 2018
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15 May 2019
Twenty-Third AGM

16 May 2019
Press Release on 1Q 2019 Results

8 August 2019
Press Release on 2Q 2019 Results

8 November 2019
Press Release on 3Q 2019 Results

The Company's 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, Business to Business ("**B2B**") online and etc.

The Company has created two (2) dedicated sections to ensure more effective dissemination of information:-

- (a) A dedicated "**Investor Relations**" section which provides all relevant information on the Group and is accessible by the public.

	<p>It includes all the announcements made by the Company, Annual Reports, Summary of Key Matters Discussed at the AGM, Corporate Presentation for the Quarterly Financial Results and etc. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.</p> <p>The Company had published its summary of key matters discussed at the Twenty-Third AGM on its corporate website under the “Financial Information” section at www.vstecs.com.my in complied with the Paragraph 9.21(2)(b) of the Main LR of Bursa Securities.</p> <p>(b) A dedicated “Corporate Governance” section which provides access to various policies and statements (as mentioned in the various sections of this Statement), duly made available and updated for the ease of reference by stakeholders.</p>
<p>Explanation for departure</p>	<p>: Not applicable</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: Not applicable</p>
<p>Timeframe</p>	<p>: Not applicable</p>

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:	Not applicable	
Explanation for departure	:	Not applicable as the Company is not classified as "Large Company".	
		At present, the Board is of the view that the Company's Annual Report and announcements to Bursa Securities are comprehensive enough for stakeholders to make informed decisions.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Annual Report, which contains the Notice of AGM, was sent to shareholders at least twenty-eight (28) days 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>The Board had on 16 April 2019, issued its Notice of Twenty-Third AGM of the Company, at least twenty-eight (28) days prior to the date of the meeting i.e. 15 May 2019. The Notice clearly identified the directors seeking re-election, the auditor seeking re-appointment and the Notice of Dividend Entitlement.</p>	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>All Board members, save for the former Director, Mr. Tay Eng Hoe who was absent due to prior overseas engagement, attended the Twenty-Third AGM of the Company held on 15 May 2019 and provided responses to the shareholders on the key matters arose during the Meeting. The Chairman of the AC, NC and RC were also present on stage to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</p> <p>Mr. Soong, the CEO had presented a short review of the Company's 2018 performance and key initiatives for 2019 to the shareholders on operations highlights, financial snapshot, growth strategies and investment highlights.</p> <p>All Directors endeavour to attend the General Meetings to the best of their abilities unless due to unforeseen circumstances.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	Not applicable
Explanation for departure	:	As a listed entity on Bursa Securities in Malaysia, the Board noted that majority of the shareholders of the Company reside in Malaysia, and predominantly in Klang Valley area. Therefore, the general meetings of the Company have always been held in the Klang Valley area. In the event of changes in the shareholders' base where majority of the shareholders move out of the Klang Valley area, the Board would consider the leverage on technology to facilitate voting in absentia or remote shareholders' participation at general meetings, subject to cost effectiveness and the availability of remote voting facility.
		Alternative practice: Shareholders who are not able to attend the AGM can appoint proxy(ies) to attend, speak, participate or vote on their behalf.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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