

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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VST ECS BERHAD

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED BONUS ISSUE OF UP TO 180,000,000 NEW ORDINARY SHARES IN VST ECS BERHAD ("VST ECS SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING VST ECS SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF SHARES")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOB Kay Hian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of VST ECS Berhad, which will be held on a fully virtual basis vide the Online Meeting Platform hosted on Securities Services e-Portal at <https://www.sshsb.net.my/> (Domain Registration No. with MyNIC Berhad: D4A004360) on Friday, 16 July 2021 at 10:30 a.m., together with the Proxy Form are enclosed herein.

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 Securities Services e-Portal, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjournment thereof (i.e. on or before Wednesday, 14 July 2021 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	Securities Services e-Portal Weblink: https://www.sshsb.net.my/
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Last date and time for lodging the Proxy Form : Wednesday, 14 July 2021 at 10:30 a.m.

Date and time of the EGM : Friday, 16 July 2021 at 10:30 a.m.

Meeting Platform/Venue of the EGM : Securities Services e-Portal at <https://www.sshsb.net.my/> (Domain Registration No. with MyNIC Berhad: D4A004360) at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act 2016
"Board"	: Our Board of Directors of VSTECS
"Bonus Share(s)"	: Up to 180,000,000 new VSTECS Shares to be issued pursuant to the Proposed Bonus Issue of Shares
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Director(s)"	: The director(s) of VSTECS and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	: Extraordinary General Meeting of VSTECS
"Entitlement Date"	: A date to be determined and announced later by our Board, on which the names of the shareholders of our Company must appear in the Record of Depositors of our Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue of Shares
"EPS"	: Earnings per Share
"FYE"	: Financial year ended/ ending
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 11 June 2021, being the latest practicable date prior to the printing and dispatch of this Circular
"Market Day(s)"	: Any day between Monday to Friday (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities
"NA"	: Net asset attributable to ordinary equity holders of our Company
"Proposed Bonus Issue of Shares"	: Proposed bonus issue of up to 180,000,000 Bonus Shares on the basis of 1 Bonus Share for every 1 existing VSTECS Share held on the Entitlement Date
"Record of Depositors"	: A record of depositors established by Bursa Depository under the Rules of Bursa Depository
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"UOBKH" or the "Adviser"	: UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))

DEFINITIONS (CONT'D)

"VSTECS" or our "Company" : VSTECS Berhad (Registration No. 199501021835 (351038-H))

"VSTECS Group" or our "Group" : VSTECS and its subsidiary companies, collectively

"VSTECS Share(s)" or "Share(s)" : Ordinary share(s) in VSTECS

"VWAP" : Volume weighted average market price

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

References to **"you"** or **"your(s)"** in the Circular are made to shareholders of VSTECS and references to **"our Company"** or **"the Company"** or **"we"** or **"us"** or **"our"** or **"ourselves"** are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to **"Board"** are to our Board of Directors and **"Management"** are to our Executive Directors and key management personnel as at the LPD of this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Bonus Issue of Shares. The shareholders of VSTECS are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Bonus Issue of Shares before voting at the EGM.

Key information	Description	Reference to Circular
Issue size and basis of allotment	The Proposed Bonus Issue of Shares entails the issuance of up to 180,000,000 Bonus Shares on the basis of 1 Bonus Share for every 1 existing VSTECS Share held by our shareholders whose names appear in our Record of Depositors on the Entitlement Date.	Section 2
Rationale and justifications	<ul style="list-style-type: none"> i. To increase the number of VSTECS Shares held by our shareholders at no cost to be incurred by our shareholders, while maintaining their percentage shareholding held in our Company; ii. To potentially result in improved trading liquidity of VSTECS Shares by increasing the number of Shares in issue; iii. To result in VSTECS Shares being more affordable without affecting the market capitalisation of our Company, which may encourage greater participation by a wider group of public shareholders and investors; and iv. To maintain our reserves as the Proposed Bonus Issue of Shares will be implemented via the adoption of the enhanced bonus issue framework without capitalisation of our reserves. 	Section 3
Effects	<p>The effects of the Proposed Bonus Issue of Shares are as follows:-</p> <ul style="list-style-type: none"> i. Increase the number of VSTECS Shares in issue without affecting our issued share capital in RM value; ii. No effect on the gearing ratio and the earnings of our Group, and the percentage shareholding of our shareholders; and iii. However, NA per Share and EPS of our Group will be diluted due to the increase in the number of VSTECS Shares in issue. 	Section 4
Interests of Directors, major shareholders, chief executive and/ or persons connected	None of our Directors, major shareholders, chief executive and/ or persons connected to them have any interest, either direct or indirect, in the Proposed Bonus Issue of Shares, save for their respective entitlements as our shareholders, which are also available to all other shareholders of our Company.	Section 7
Approvals required/ obtained	<p>The Proposed Bonus Issue of Shares is conditional upon the following approvals being obtained:-</p> <ul style="list-style-type: none"> i. Bursa Securities for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 11 June 2021; ii. Our shareholders at the forthcoming EGM; and iii. Any other relevant authority and/ or third parties, if required. 	Section 6
Directors' recommendation	<p>Our Board, after having considered all aspects of the Proposed Bonus Issue of Shares, which include, but are not limited to, the basis, the rationale and the pro forma effects of the Proposed Bonus Issue of Shares, is of the opinion that the Proposed Bonus Issue of Shares is in the best interest of our Company.</p> <p>Accordingly, our Board recommends that you VOTE IN FAVOUR of the resolution pertaining to the Proposed Bonus Issue of Shares to be tabled at the forthcoming EGM.</p>	Section 10



VST ECS BERHAD

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

Registered Office

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

1 July 2021

Board of Directors

Foo Sen Chin (*Non-Independent Non-Executive Chairman*)
Soong Jan Hsung (*Executive Director/ Chief Executive Officer*)
Wong Heng Chong (*Senior Independent Non-Executive Director*)
Ong Wei Hiam (*Non-Independent Non-Executive Director*)
Dato' Khoo Sin Aik (*Independent Non-Executive Director*)
Abdul Aziz Bin Zainal Abidin (*Independent Non-Executive Director*)
Cheryl Khor Hui Peng (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sirs/ Madam,

PROPOSED BONUS ISSUE OF SHARES

1. INTRODUCTION

On 19 May 2021, UOBKH had, on behalf of our Board, announced that our Company proposed to undertake a bonus issue of up to 180,000,000 Bonus Shares on the basis of 1 Bonus Share for every 1 existing VST ECS Share held on an entitlement date to be determined and announced later by our Board.

For information purpose, the Proposed Bonus Issue of Shares shall be undertaken via the enhanced bonus issue framework (no par value regime). Pursuant to the enhanced bonus issue framework, the Bonus Shares will be issued as fully paid Shares at nil consideration and without capitalisation from our reserves. Accordingly, the Proposed Bonus Issue of Shares will increase the number of VST ECS Shares without affecting the value of our issued share capital.

On 11 June 2021, UOBKH had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 11 June 2021, resolved to approve the listing and quotation for up to 180,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares, subject to the conditions as set out in **Section 6** of this Circular.

Further details of the Proposed Bonus Issue of Shares are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED BONUS ISSUE OF SHARES AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENT OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED BONUS ISSUE OF SHARES

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares entails the issuance of up to 180,000,000 Bonus Shares on the basis of 1 Bonus Share for every 1 existing VSTECS Share held by our shareholders whose names appear in our Record of Depositors on the Entitlement Date.

As at the LPD, our issued share capital is RM90,000,000 comprising 180,000,000 VSTECS Shares (including 1,499,300 treasury shares). For avoidance of doubt, our Company does not have any outstanding convertible securities as at the LPD. Accordingly, a total of up to 180,000,000 Bonus Shares may be issued pursuant to the Proposed Bonus Issue of Shares.

The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on our total issued VSTECS Shares on the Entitlement Date. Pursuant to Section 127(11) of the Act, the treasury shares will be entitled to Bonus Shares and will be treated as treasury shares held by our Company at the time the Bonus Shares are allotted. For avoidance of doubt, our Board has undertaken and confirmed that we will not cancel any treasury shares until the completion of the Proposed Bonus Issue of Shares.

There will be an adjustment to the market price of VSTECS Shares listed and quoted on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue of Shares. For illustrative purpose only, based on the 5-day VWAP of VSTECS Shares and the lowest daily VWAP of VSTECS Shares during the 3-month period up to and including 1 June 2021, being the last trading date immediately preceding the submission of the application to Bursa Securities in relation to the Proposed Bonus Issue of Shares, the theoretical ex-bonus price of VSTECS Shares is as follows:-

	Before the Proposed Bonus Issue of Shares	After the Proposed Bonus Issue of Shares
	Market price per Share RM	Theoretical ex-bonus price per Share RM
5-day VWAP up to 1 June 2021	2.766	1.383 ^{*1}
Lowest daily VWAP during the 3-month period up to 1 June 2021	2.337	1.169 ^{*2}

Notes:-

^{*1} For illustrative purpose only, the theoretical ex-bonus price per Share based on the 5-day VWAP up to 1 June 2021 is arrived at based on the following formula:-

$$\begin{array}{rcl}
 \text{Theoretical ex-bonus price per Share} & = & \text{5-day VWAP up to 1 June 2021} \times \frac{\text{Holding of 1 existing Share}}{\text{Bonus Share(s) to be issued} + \text{Holding of 1 existing Share}} \\
 & = & \text{RM2.766} \times \frac{1}{1 + 1} \\
 & = & \text{RM1.383}
 \end{array}$$

² For illustrative purpose only, the theoretical ex-bonus price per Share based on the lowest daily VWAP during the 3-month period up to 1 June 2021 is arrived at based on the following formula:-

$$\begin{array}{rcl}
 \text{Theoretical ex-bonus price per Share} & = & \text{Lowest daily VWAP during the 3-month period up to 1 June 2021} \times \frac{\text{Holding of 1 existing Share}}{\text{Bonus Share(s) to be issued} + \text{Holding of 1 existing Share}} \\
 & = & \text{RM2.337} \times \frac{1}{1 + 1} \\
 & = & \text{RM1.169}
 \end{array}$$

Based on the above, the Proposed Bonus Issue of Shares is in compliance with Paragraph 6.30 (1A)* of the Listing Requirements.

Note:-

(*) Paragraph 6.30 (1A) of the Listing Requirements requires that "A listed issuer must ensure that its share price adjusted for a bonus issue is not less than RM0.50 based on the daily volume weighted average share price during the 3-month period before the application date."

The Proposed Bonus Issue of Shares will not be implemented on a staggered basis.

2.2 No capitalisation of reserves

Our Board has resolved that the implementation of the Proposed Bonus Issue of Shares shall be undertaken without any capitalisation from our reserves and that the Bonus Shares shall be issued as fully paid Shares at nil consideration. Accordingly, the Proposed Bonus Issue of Shares will increase the number of VSTECS Shares without affecting the value of the issued share capital of VSTECS.

As the Proposed Bonus Issue Shares is undertaken without capitalisation from our reserves, it allows our Board to preserve our reserves.

2.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing VSTECS Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the Entitlement Date.

2.4 Listing and quotation for the Bonus Shares

Approval has been obtained from Bursa Securities vide its letter dated 11 June 2021 for the listing and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares on the Main Market of Bursa Securities. The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED BONUS ISSUE OF SHARES

The Proposed Bonus Issue of Shares serves to reward our shareholders for their loyalty and continued support for our Group, as the Proposed Bonus Issue of Shares will:-

- i. increase the number of VSTECS Shares held by our shareholders at no cost to be incurred by our shareholders, while maintaining their percentage of equity shareholding held in our Company;
- ii. potentially result in improved trading liquidity of VSTECS Shares by increasing the number of Shares in issue;
- iii. result in VSTECS Shares being more affordable without affecting the market capitalisation of our Company, which may encourage greater participation by a wider group of public shareholders and investors; and

- iv. maintain our reserves as the Proposed Bonus Issue of Shares will be implemented via the adoption of the enhanced bonus issue framework without capitalisation of our reserves.

4. EFFECTS OF THE PROPOSED BONUS ISSUE OF SHARES

The effects of the Proposed Bonus Issue of Shares on our issued share capital, NA per Share and gearing ratio of our Group, earnings and EPS of our Group, our convertible securities and our substantial shareholders' shareholdings, are set out below:-

4.1 Issued share capital

The pro forma effects of the Proposed Bonus Issue of Shares on our issued share capital are set out below:-

	Number of Shares	RM'000
Issued share capital as at the LPD (including 1,499,300 treasury shares)	180,000,000	90,000
Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares	180,000,000 ^{*1}	-
Enlarged issued share capital (including 2,998,600 treasury shares)	360,000,000	90,000

Note:-

^{*1} Including 1,499,300 Bonus Shares, which will be in the form of treasury shares

4.2 NA per Share and gearing ratio

Based on our latest audited consolidated financial statements of VSTECS as at 31 December 2020, the pro forma effects of the Proposed Bonus Issue of Shares on our Group's NA per Share and gearing ratio are set out as follows:-

	Audited FYE 31 December 2020 RM'000	After the Proposed Bonus Issue of Shares RM'000
Share capital	90,000	90,000
Treasury shares, at cost	(1,453)	(1,453)
Retained earnings	245,676	245,596 ^{*2}
Shareholders' funds/ NA	334,223	334,143
No. of Shares in issue (excluding treasury shares) ('000)	178,501 ^{*1}	357,002 ^{*3}
NA per Share (RM)	1.87	0.94
Total borrowings	-	-
Gearing ratio (times)	-	-

Notes:-

^{*1} Excluding 1,499,300 treasury shares

^{*2} After deducting estimated expenses of approximately RM80,000 in relation to the Proposed Bonus Issue of Shares

^{*3} Excluding 2,998,600 treasury shares

4.3 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Shares will not have any effect on the percentage shareholding of our substantial shareholders as the Bonus Shares will be allotted on a pro-rata basis to all our shareholders. However, the number of VSTECS Shares held by all our shareholders will increase proportionately pursuant to the Proposed Bonus Issue of Shares.

The pro forma effects of the Proposed Bonus Issue of Shares on our substantial shareholders' shareholdings are set out below:-

Substantial shareholders	Shareholdings as at the LPD			After the Proposed Bonus Issue of Shares		
	No. of Shares	%	No. of Shares	%	No. of Shares	%
VSTECS Holdings (Singapore) Limited	76,971,450	43.12	-	-	153,942,900	43.12
VSTECS Holdings Limited	-	-	76,971,450 ^{*1}	43.12	-	-
Sengin Sdn Bhd	21,690,000	12.15	-	-	43,380,000	12.15
Foo Sen Chin	99,000	0.06	21,997,200 ^{*2}	12.32	198,000	0.06
Lee Marn Fong	-	-	22,096,200 ^{*3}	12.38	-	-
Dasar Technologies Sdn Bhd	15,400,000	8.63	-	-	30,800,000	8.63

Notes:-

^{*1} VSTECS Holdings (Singapore) Limited is a wholly-owned subsidiary of VSTECS Holdings Limited.

^{*2} By virtue of his substantial shareholdings in Sengin Sdn Bhd pursuant to Section 8 of the Act and the shareholdings of his child.

^{*3} By virtue of her substantial shareholdings in Sengin Sdn Bhd pursuant to Section 8 of the Act and the shareholdings of her spouse and child.

4.4 Earnings and EPS

The Proposed Bonus Issue of Shares, which is expected to be completed by the third quarter of 2021, is not expected to have any material effect on the earnings of our Group for the FYE 31 December 2021. Notwithstanding the above, our Group's EPS will be proportionately diluted due to the increase in the number of VSTECS Shares in issue upon completion of the Proposed Bonus Issue of Shares.

4.5 Convertible Securities

As at the LPD, our Company does not have any convertible securities.

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of VSTECS Shares as traded on Bursa Securities for the past 12 months from June 2020 to May 2021 are set out below:-

	High RM	Low RM
2020		
June	1.497	1.079
July	2.460	1.420
August	2.684	1.993
September	2.285	1.624
October	2.129	1.808
November	2.334	1.760
December	2.282	1.948
2021		
January	2.607	1.879
February	3.000	2.184
March	2.774	2.272
April	2.744	2.351
May	2.870	2.420
Last transacted market price on 18 May 2021 (being the last transacted date prior to the announcement on the Proposed Bonus Issue of Shares)		2.54
Last transacted market price as at the LPD		2.83

(Source: Bloomberg)

6. APPROVALS REQUIRED/ OBTAINED

The Proposed Bonus Issue of Shares is conditional upon the following approvals being obtained:-

- (i) Bursa Securities, for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 11 June 2021 and subject to the following conditions:-

Conditions	Status of compliance
(a) VSTECS and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue of Shares;	To be complied
(b) VSTECS and UOBKH to inform Bursa Securities upon the completion of the Proposed Bonus Issue of Shares;	To be complied

	Conditions	Status of compliance
(c)	VSTECs and UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue of Shares is completed; and	To be complied
(d)	VSTECs and UOBKH are required to make the relevant announcements pursuant to Paragraphs 6.35(2) (a) & (b) and 6.35(4) of the Listing Requirements.	To be complied
(ii)	Our shareholders for the Proposed Bonus Issue of Shares at the forthcoming EGM; and	
(iii)	Any other relevant authority and/ or third parties, if required.	

The Proposed Bonus Issue of Shares is not conditional upon any other proposal undertaken or to be undertaken by our Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED TO THEM

None of our Directors, major shareholders, chief executive and/ or persons connected to them have any interest, either direct or indirect, in the Proposed Bonus Issue of Shares, save for their respective entitlements as our shareholders, which are also available to all other shareholders of our Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Bonus Issue of Shares is expected to be completed by the third quarter of 2021.

The tentative timetable in relation to the Proposed Bonus Issue of Shares is set out below:-

Timeline	Events
16 July 2021	<ul style="list-style-type: none"> • Convening of EGM • Announcement of Entitlement Date for the Proposed Bonus Issue of Shares
End-July 2021	<ul style="list-style-type: none"> • Entitlement Date for the Proposed Bonus Issue of Shares • Listing and quotation for the Bonus Shares on the Main Market of Bursa Securities

9. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue of Shares (being the subject matter of this Circular), there is no other outstanding proposal, which has been announced but not yet completed, as at the date of this Circular.

10. DIRECTORS' RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Bonus Issue of Shares, which include, but are not limited to, the basis, the rationale and the pro forma effects of the Proposed Bonus Issue of Shares, is of the opinion that the Proposed Bonus Issue of Shares is in the best interest of our Company.

Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Bonus Issue of Shares to be tabled at the forthcoming EGM.

11. EGM

The EGM, the notice of which is enclosed in this Circular, will be held on a fully virtual basis via the Online Meeting Platform using the Remote Participation and Voting ("**RPV**") facilities provided by our Company's Poll Administrator, namely, SS E Solutions Sdn Bhd hosted on Securities Services e-Portal at <https://www.sshsb.net.my/> (Domain Registration No. with MyNIC Berhad: D4A004360) on Friday, 16 July 2021 at 10:30 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Bonus Issue of Shares.

Kindly be reminded that there is no physical meeting venue for attendance in person by shareholders and/ or proxies. All shareholders are required to register for RPV facilities via Securities Services e-Portal at <https://www.sshsb.net.my/> for attending the EGM remotely.

If you are unable to attend the EGM virtually using the RPV facilities and wish to appoint a proxy to vote on your behalf, please deposit your Proxy Form at the office of our Company's Poll Administrator for the EGM, namely, SS E Solutions Sdn Bhd, either at the designated office as stated below or via Securities Services e-Portal, in accordance with the notes and instructions printed therein, not later than 48 hours before the EGM (i.e. latest by Wednesday, 14 July 2021 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	Securities Services e-Portal Weblink: https://www.sshsb.net.my/

The lodging of the Proxy Form will not, however, preclude you from participating in this EGM via RPV facilities should you subsequently wish to do so.

12. FURTHER INFORMATION

You are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
VSTECs BERHAD

FOO SEN CHIN
Non-Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Bonus Issue of Shares, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to our Company for the Proposed Bonus Issue of Shares.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	RM'000
Capital expenditure contracted but not provided for	280
	<u>280</u>

5. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	144,621
	<u>144,621</u>

6. MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

In view of the outbreak of Coronavirus Disease (COVID-19) pandemic, the Government of Malaysia has imposed different levels of Movement Control Order ("**MCO**"), i.e., MCO, Emergency MCO, Conditional MCO, Recovery MCO and Full MCO, to restrict mass movement, resulting in the mandatory closure of the Registered Office of our Company. As at the date of this Circular, the Malaysian Government announced that the Full MCO shall continue to a further date to be determined later ("**Date of Upliftment of Full MCO**") and hence, the Registered Office of our Company shall remain closed until further notice.

Copies of the following documents are made available for inspection at our Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, during normal business hours from Monday to Friday (except public holidays) from the Date of Upliftment of Full MCO up to the date of the forthcoming EGM:-

- (i) Our Constitution;
- (ii) Our audited consolidated financial statements for the past 2 financial years up to the FYE 31 December 2020 and our latest unaudited 3-month quarterly results ended 31 March 2021; and
- (iii) The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above, respectively.

In view of the abovementioned uncertainty, it is recommended that prior appointment/ notification being made prior to the inspection of documents at the Registered Office of our Company (to ascertain the opening date(s)/ business hours) by email to info@sshshb.com.my.

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VSTECS BERHAD

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of VSTECS Berhad ("**VSTECS**" or the "**Company**") will be held on a **fully virtual basis** vide the Online Meeting Platform hosted on Securities Services e-Portal at <https://www.sshsb.net.my/> on Friday, 16 July 2021 at 10:30 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

Day, Date and Time : **Friday, 16 July 2021 at 10:30 a.m.**

**Meeting Platform/
Venue** : Securities Services e-Portal at <https://www.sshsb.net.my/>
(Domain Registration No. with MyNIC Berhad: D4A004360)

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

Meeting Title : **VSTECS BERHAD'S FULLY VIRTUAL EGM**

**Mode of
Communication** : **Prior to the EGM:-**

- (1) Submit questions to the Board prior to the EGM by writing/ emailing to secretariat@vsteecs.com.my, **no later than Wednesday, 14 July 2021 at 10:30 a.m.**

During the EGM:-

Primary Mode of Communication

- (2) Pose questions to the Board vide real-time submission of typed texts at <https://www.sshsb.net.my/> during the live streaming of the EGM.

Alternative Mode of Communication

- (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 EGM accordingly.

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF UP TO 180,000,000 NEW ORDINARY SHARES IN VSTECS ("VSTECS SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING VSTECS SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF SHARES")

"**THAT** subject to the approvals of all relevant authorities or parties, authority be and is hereby given to the Board of Directors of VSTECS ("**Board**") to issue up to 180,000,000 Bonus Shares in the share capital of the Company credited to the entitled shareholders whose names appear in the Record of Depositors as at the close of business on an entitlement date to be determined and announced later by the Board on the basis of 1 Bonus Share for every 1 existing VSTECS Share held;

THAT the Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing Shares. However, the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the Bonus Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Shares."

By Order of the Board
VSTECS BERHAD

(duly signed)

CHUA SIEW CHUAN (MAICSA 0777689) (SSM PC NO. 201908002648)

CHENG CHIA PING (MAICSA 1032514) (SSM PC No. 202008000730)

Company Secretaries

Kuala Lumpur

1 July 2021

Notes:-

^{*1} As a precautionary measure amid the outbreak of Coronavirus Disease (COVID-19) pandemic, VSTECS shall conduct the EGM as a fully virtual general meeting via the Remote Participation and Voting ("RPV") facilities provided by SS E Solutions Sdn Bhd via its Securities Services e-Portal at <https://www.sshsb.net.my/>.

According to the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers revised by the Securities Commission Malaysia on 1 June 2021 ("**Revised Guidance Note and FAQs**"), an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is registered with MyNIC Berhad or hosted in Malaysia.

Shareholders **WILL NOT BE ALLOWED** to attend the EGM in person at the Meeting Venue on the day of the Meeting.

By utilising the RPV facilities at Securities Services e-Portal (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 EGM. **Please refer to the Administrative Guide for procedures to utilise the RPV facilities and take note of Notes (2) to (9) below in order to participate remotely via RPV facilities.**

^{*2} In respect of deposited securities, only members whose names appear in the Record of Depositors on 9 July 2021 ("General Meeting Record of Depositors") shall be eligible to attend the EGM 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 EGM via RPV facilities, to the extent permitted by the Companies Act 2016 ("Act"), Securities Industry (Central Depositories) Act, 1991, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 EGM via RPV facilities is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the EGM without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the EGM via RPV facilities shall have the same rights as the member to attend, participate, speak and vote at the EGM.

^{*5} As guided by the Securities Commission Malaysia's Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers as revised, 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 EGM via real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the EGM 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 EGM. 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.

⁶ 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.

⁷ 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.

⁸ A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at the EGM via RPV facilities must request his/her proxy to register himself/herself for RPV facilities at Securities Services e-Portal at <https://www.sshsb.net.my/>. **Please refer to the Administrative Guide for procedures to utilise the RPV facilities.**

⁹ **Publication of Notice of EGM and Proxy Form on corporate website**

Pursuant to Section 320(2) of the Act, a copy of this Notice together with the Proxy Form are available at the corporate website of VSTECS Berhad at https://vsteecs.listedcompany.com/circular_shareholders.html.

¹⁰ **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 Securities Services e-Portal, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjournment thereof (i.e. on or before Wednesday, 14 July 2021 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	Securities Services e-Portal Weblink: https://www.sshsb.net.my/



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

PROXY FORM

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, the Chairperson of the meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held on a **fully virtual basis** vide the Online Meeting Platform hosted on Securities Services e-Portal at <https://www.sshsb.net.my/> on Friday, 16 July 2021 at 10:30 a.m. or 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.

RESOLUTION	FOR	AGAINST
Resolution 1 Proposed Bonus Issue of Shares		

Dated this _____ day _____ 2021

Signature of Member/ Common Seal

Notes:-

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Electronic appointment	Securities Services e-Portal Weblink: https://www.sshb.net.my/

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The Poll Administrator
for Extraordinary 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

AFFIX
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