SALUTICA BERHAD
(201201040303) (1024781-T)
(Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE 8TH ANNUAL GENERAL MEETING ("8TH AGM") OF THE COMPANY HELD ON MONDAY, 23 NOVEMBER 2020

Question 1:

What would Management expect for coming year 2021 performance? Would the Company still make loss due to project still under Research & Development ("R&D") stage?

The Company's response:

As the Company is listed in the Bursa Malaysia Securities Berhad, we do not provide profit forecasts.

The impact of the COVID-19 pandemic would persist into next year and inspite the uncertainties in the global environment, the Group's R&D team would continue to focus on the timely realisation of several planned new products. However, the Group performance would depend on consumers' responses.

Question 2:

Why has the employee cost increased so much from RM25.957 million to RM30.628 million? Please also explain on the increased of receivables and stock from RM8.782 million to RM24.880 million and RM34.301 million to RM57.888 million respectively for the financial year ended 30 June 2020 as compared to the previous financial year? How is the progress of FOBO business? Is the Company having any plan to do Bonus Issue?

The Company's response:

Due to the increase in minimum wages to RM1,200.00 per month since February this year, it has impact of direct cost increased by approximately RM0.3 million per month of the Group. Moreover, the Group had halted its production during the Movement Control Order ("MCO) in March 2020 and resume 50% production in April 2020 which resulted in idle production costs of RM3.2 million. The Group resumed full operation from 29 April 2020 onwards.

The increased in receivables was due to the higher sales recorded in the last 3 months before the closing in June 2020. In tandem with the increased in orders, inventories have also increased in preparation for the order fulfilment.

FOBO business has increased in the past 2 to 3 months. There were also new distributors for FOBO brand in the United States and Japan which helps to promote growth for FOBO sales.

The Company would consider to undertake the Bonus Issue to reward the shareholders when the time is right.

Question 3:

What is the breakdown of the contribution from the Bluetooth and FOBO segments to the Group revenue for financial year 2020? What is the expected growth in business for these 2 segments of the Group revenue for financial year 2021? Will other business segment contribute to growth in revenue in financial year 2021 as compared to the financial year 2020?

The Company's response:

The Bluetooth headsets contributed more than 50% of Group revenue while computer peripherals contributed slightly more than 30%.

FOBO is growing strong, although the contribution to revenue is still low at slightly above 1%. For 2021, the Group would be cautious and conservative in approach. However, the Group will continue to improve its capability to develop and deliver innovative products that are slated for launching in the first and second half of 2021.

Question 4:

The Company has been meeting with government investment agency – Malaysian Investment Development Authority ("MIDA"). Is the Company applying or seeking to apply any incentive or grants from MIDA? What kind of the incentives or grants?

The Company's response:

The Group did receive MIDA grant and incentives in the past and we have also submitted new application to MIDA. It is always for the Company benefit and responsibilities to apply for incentives or grants. This is an ongoing effort - if we qualify, we will apply for it.

Question 5:

Any new customer for the 2021 since the Company mainly depends on single customer? How is the dividend policy of the Company? What is your view on 2021 especially Company's profit growth?

The Company's response:

The Group has started production of hearable products for new customers. There would be 2 new customers in 2021 which will help to reduce dependency on a single customer.

The Board has taken into consideration the cash flow requirements for the operating and investing activities of the Group for future growth. Given this unprecedented time and in view of the economic uncertainties arising from COVID-19, the Board is proposing the Dividend Reinvestment Plan and seeking for shareholders' approval. In addition, the Group will look into growing of new models and with this, the Group hopes to increase its profit margin.

Question 6:

Does the Company have any intention and the capability to provide hearable with amplification that could be used by hearing impaired?

The Company's response:

We have started production for 1 hearables with hearing assistance capability that would improve people's life that need hearing assistance. There would more products/models in the pipeline of this nature to be produced and launched in 2021.

Question 7:

Who is the role model you want to benchmark your Company with? What is the Company doing to improve revenue and profit margin? What products does the Company have in the pipeline to continue growth of the Company?

The Company's response:

We are in an industry that have many competitors and interestingly, our customers see us in a niche space where we deal with high end innovative products. We are bespoke, much customised and yet with the scale and ability to mass produce. We have our own goal, mission and philosophy. With the home grown technology behind the Company's own FOBO brand products, the Group will look to further widen its product range in line with our goal for a better world. We are in constant innovation in search of our own niche and our own "blue ocean" strategy.

Question 8:

What are some new blockbuster products? What keepings the CEO awake on running the Company?

The Company's response:

The Group has completed the upgrade of our acoustic test lab for the development of future headsets that are used for gaming, smart hearables with active noise cancellation and unique proprietary chipset to bring better products to the market.

My philosophy as a CEO has always been to set high internal standards and meeting those high standards and always keep doing better than yesterday, in addition to launching niche products.

Question 9:

What are the measures taken by the Group to contain increases in direct and indirect cost to enable the Group to return to profitability in financial year 2021?

The Company's response:

Increase in minimum wage is something we cannot avoid if it happens. Controlling wage costs depends on how efficient operation runs, it has to be as lean as possible. We also consider the investment in R&D talent – where development of products require technical experts. It's an expense we will invest to ensure our products are launched on time. Timely execution, launching more products, cross sharing platform to maximise capital expenditure are important. Nonetheless, the Group will continue to control the wages cost, balancing the investment in R&D to improve efficiencies and new technology requirements in new products so as to reduce costs and meet customers' product quality requirements. We will continue to diversify our customer base to increase the top line.

Question 10:

What is the R&D expenditure policy, in terms of amount or percentage of revenue?

The Company's response:

Generally, the Group spent approximately 2% - 3% of revenue on R&D expenditure which includes jigs, fixtures, tools and resources costs. However, the Group can spend beyond this percentage when new technology requirement necessitate investment in high end processes, equipment and machinery.