

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

SUMMARY OF PROCEEDINGS OF THE SEVENTH ANNUAL GENERAL MEETING (“7th AGM”) OF THE COMPANY HELD AT THE COMPANY’S PLACE OF BUSINESS AT NO. 3, JALAN ZARIB 6, KAWASAN PERINDUSTRIAN ZARIB, 31500 LAHAT, IPOH, PERAK DARUL RIDZUAN ON FRIDAY, 22 NOVEMBER 2019 AT 10.30 A.M.

PRESENT : Mr. Chia Chee Hoong – Chairman
and as per attendance list

1. WELCOME ADDRESS

On behalf of the Board of Directors, Mr. Chia Chee Hoong, the Chairman extended a warm welcome to those present.

2. NOTICE OF MEETING

The Notice of Meeting had been despatched to shareholders on 24 October 2019. On a proposal of the Chairman, the Notice of Meeting was taken as read.

3. QUORUM

The Company Secretary, Ms. Chong Lay Kim confirmed that a quorum was present. There being a quorum, the Meeting was called to order at 10.30 a.m.

4. VOTING

The Chairman briefed the shareholders that pursuant to the Main Market Listing Requirements of Bursa Malaysia, all resolutions set out in the Notice of the 7th AGM would be decided by poll.

The Company had appointed Tricor Investor & Issuing House Services Sdn. Bhd. as the Poll Administrator to conduct the polling process and Coopers Professional Scrutineers Sdn. Bhd. to verify and validate the poll results. The polling process for voting on the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the Meeting.

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 TOGETHER WITH THE DIRECTORS AND AUDITORS REPORT THEREON

The Chairman informed that the Audited Financial Statements for the financial year ended 30 June 2019 together with the Directors’ and Auditors’ reports thereon, were tabled at the Meeting for discussion only and were not required to be put forward for voting.

The Audited Financial Statements for the financial year ended 30 June 2019 and Reports of the Directors and Auditors thereon laid before the Meeting is in accordance with the requirements of the Companies Act 2016.

6. QUESTIONS AND ANSWERS SESSION

The questions from shareholders and the answers given were attached as Appendix 1.

7. ANY OTHER BUSINESS

The Meeting noted that the Company had not received any notice for transaction of any other business, the Chairman then proceeded to the poll voting process.

8. DECLARATION OF RESULTS

Based on the poll results verified and validated by the Scrutineers, the Chairman declared all the resolutions tabled at the Meeting, **CARRIED** as follows:-

Resolution(s)	Vote For		Vote Against		Total Votes	
	No. of Units	%	No. of Units	%	No. of Units	%
<u>Resolution 1</u> To approve the payment of Directors' fees	241,524,091	100.00	0	0.00	241,524,091	100.00
<u>Resolution 2</u> To re-elect Mr. Low Teng Lum as Director	250,224,091	100.00	0	0	250,224,091	100.00
<u>Resolution 3</u> To re-elect Mr. Joshua Lim Phan Yih as Director	250,224,091	100.00	0	0.00	250,224,091	100.00
<u>Resolution 4</u> To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors and to authorise the Directors to fix their remuneration	250,224,091	100.00	0	0.00	250,224,091	100.00
<u>Resolution 5</u> To authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016	250,224,091	100.00	0	0.00	250,224,091	100.00

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	No. of Units	%	No. of Units	%	No. of Units	%
<u>Resolution 6</u> To approve the Proposed Renewal of Share Buy-Back Authority	250,224,091	100.00	0	0.00	250,224,091	100.00
<u>Special Resolution</u> To approve the Proposed Alteration	250,214,091	100.00	0	0.00	250,214,091	100.00

9. TERMINATION

There being no other business, the Meeting ended at 12.15 p.m. with a vote of thanks to the Chair.

Key matters raised by shareholders during the 7th AGM:-

QUESTIONS AND ANSWERS SESSION

- Q1: Shareholder : The RM12 million capital expenditure mentioned in the presentation slides, how much was it from the IPO proceeds? Is there any leftover from the proceeds? How much will be from cash flow?
- CEO : Yes, we have fully utilised the IPO proceeds on capital expenditure and any further spending is from own cash flows.
- Q2: Shareholder : In relation to the partnership with the European design partner, what is the type of partnership? Is it a joint venture or profit sharing?
- CEO : There is a contract signed with the design partner that gives Salutica the first right to manufacture those products using the design partner's technology. Of course, the design partner will also earn royalty from the end customers.
- Q3: Shareholder : What's the mouse production capacity for coming fiscal Q3 and Q4?
- CEO : The mouse production is not affected by seasonal factors therefore the production will be approximately 4 – 5 million per annum for all the 4 mouse models.
- Q4: Shareholder : With regards to hearable products, will it starts in financial year 2021? What about the product life cycle?
- CEO : There are several projects in the pipeline, not only one platform. Our goal is to achieve miniaturisation end of financial year 2021. The replacement upgrade for Vista will be next year. In the consumer electronic markets, generally the product life cycle is 1 1/2 to 2 years and some may even go beyond 2 ½ years, all depending on market demand and response for the particular model. Sometimes customer may cut short the product life cycle in order to launch a new product – it depends on the customer's strategic marketing plan.
- Q5: Shareholder : Is the company reaching maximum production capacity this year?
- CEO : Maximum production capacity is not based on company-wide. Different products have different bottlenecks which is mostly affected by machine capacity, in this case, mostly at SMT process. We have invested in a new SMT line which have dual lanes that have improved the process efficiency and volume. We also have car park land where we can build a new factory if the need arises for business growth and expansion.
- Deputy CEO : We are not only looking at floor space to cater for expansion if it happens but also look at changing the production assembly techniques – example, increase production line output by 5 times by switching to advanced assembly techniques.

Q6: Shareholder : What is the main revenue driver in this financial year and whether the Company able to achieve the performance in financial year 2018 or beyond?

CEO : In our technology roadmap, we need to spend for the future. We cannot sacrifice future growth or stop investing in future technology just to make short term profit. This will jeopardise the company and do more harm in the long run.

As for the revenue growth, it all depends on product mix and product life cycle. Some products have good market response and able to have longer life and these products will be able to contribute to better margin due to yield improvements over time.

Q7: Shareholder : Will the Company able to defend the margin?

CEO : The Company will continue to diversify its product portfolio to grow its business and generate new revenue stream to improve margin. However, the Company will also be spending to invest in technology for future growth. The Company cannot be looking at short term but rather to mid and long term goals between 3 – 5 years' time to realise its technological potential with the design partner.

Q8: Shareholder : What is the Company's opinion on the US-China trade war?

CEO : The US-China trade disputes have given rise to uncertainties for our existing customers or new potentials – whether to move to Malaysia or not and generally affected the market sentiment towards consumer electronics products. We have not let the trade war affects our business plan or technology roadmap as we continue to pursue our business objectives.

Notes:

CEO: Chief Executive Officer

Deputy CEO: Deputy Chief Executive Officer