

PENSONIC HOLDINGS BERHAD (300426-P)
(Incorporated in Malaysia)

Extract of Minutes of the Twenty-Fifth (25th) Annual General Meeting (“AGM”) of Pensonic Holdings Berhad (“the Company” or “Pensonic”) held at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang, on Wednesday, 30 October 2019 at 2.30 pm

- 1.1 Dato’ Seri Chairman informed that the Board has received a Query Letter dated 22 October 2019 from Minority Shareholder Watch Group (“MSWG”) and invited Mr Chew Chuon Ghee, Vincent (“Mr Vincent Chew”), Group Managing Director to read out the Board’s response to the queries from MSWG. The said response was also projected on screen for ease of reading by all present.

Summary of response to queries from MSWG

Strategic & Financial Matters

- 1. The Company intends to set up a manufacturing and / or assembly plant to cater to the local market for home appliances in Indonesia via the newly established PT Pensonic Industries Indonesia (page 12 of AR2019).**

How different is this business model compared to the existing one? How will this improve Pensonic’s performance in the country?

The business model for the Indonesian market is similar to the existing model for Malaysia which is manufacturing and / or assembly for the domestic market.

The readily available young and technically trained work force together with their large and growing domestic market are the main reasons for our investment in Indonesia. More importantly, the setting up of a manufacturing and assembly will ease the process to comply with the strict local conformity standard (SNI: Indonesia National Standard) as well allow the Group to benefit from the local supply chain infrastructure leading to lower cost and time of delivery.

We strongly believe the setting up of these Indonesia based subsidiaries is a right move in line with our strategy to expand the business within the South East Asia market as we could not solely depend on Malaysian market.

- 2. The rapid growth in smart home appliances segment has prompted a slew of players, including Pensonic to tap into this new growth area. In response to this, Pensonic has launched Tough, a new line of smart IoT appliances to mass market. How is the market response towards Tough products thus far? What is the strategy to improve the market acceptance of Tough?**

Tough was only recently launched in August and we have received positive response thus far with many outlets, including some of the largest local chain stores, setting up Tough display corners. There will be more advertisement and promotional activities including roadshows and publicities coming up to build awareness of our Tough Smart appliances.

As for the consumer acceptance and response to the product, it is a little too early to comment as Tough was just rolled out. We will bring in more entry level smart gadgets such as smart plug top, IP camera and infra-red multi-purpose sensor to build up the Tough community because these are more affordable products for trying out the IoT environment compared to electrical appliances. We will also be introducing smart door locks and on-off switches as part of our Smart Home products for the property development industry.

- 3. “Other Income” in FY2019 was RM2.25million compared to RM848,550 in FY2018 (page 51 of AR2019). What does the “Other Income” consist of and what are the reasons for the higher “Other Income”?**

Higher “Other Income” as reported in FY2019 arose mainly from favourable gain from foreign exchange rate of RM675,000, higher royalty income of RM300,000 and receipt of government grant of RM350,000.

Corporate Governance Matter

- 1. Mr. Nelson Chew, and executive director of the Company attended 4 out of 7 meetings held in FY2019 (57% attendance) for the year (page 21 of AR2019), as compared to 6 out of 8 meetings (75% attendance) in FY2018.**

What are the reasons for his absence since board meetings are planned ahead to enable directors to plan and adjust their schedule?

Two (2) of the seven (7) meetings convened during FY2019 were held on short notice and Mr. Nelson Chew was unable, due to commercial and business reasons, to reorganize his pre-arranged overseas business trips.

Although Mr. Nelson Chew did not attend these meetings, he had received all the meeting papers and was updated on the meeting discussion points after these meetings.

- 2. The total remuneration received by the four executive directors of the Company has increased between 12% and 22% in FY2019 (page 20 of Corporate Governance Report 2019, page 20 of Corporate Governance 2018).**

What are the reasons for the increase in salary & other emoluments considering the slight growth in revenue of 2.35% (2019: RM324.37 million, 2018: RM316.92 million) especially since there is a 57.4% decline in pre-tax profit (2019: RM1.80 million, 2018: RM4.25 million, page 51 of AR2019)?

Salary and other emoluments comprised of salary, bonus and statutory contributions.

In term of salaries, certain executive Board members receive no increment in FY2019 and others receive marginal increment to account for additional work portfolios. In term of bonus, the bonus paid in FY2019 was based on financial performance in FY2018.

Following declining profit before tax year-on-year since FY2018, senior management has recommended lower provision for bonus and zero increment for all executive Board members (except in special circumstance as illustrated above) going forward.

- 1.2 Mr Lee Chee Meng from MSWG thanked the Board for answering queries by MSWG and suggested for a further breakdown of salaries, bonuses and other emoluments to be presented, for the better understanding of the shareholders. He also suggested for the Board to do a short presentation on the major events that had transpired during the past year and on the Group's future plans. Dato' Chairman said the Board would look into the request.
- 1.3 At this juncture, Mr Lee Hoe Choon ("Mr Lee"), a proxy, drew the Board's attention to pages 13 and 14 of the Annual Report 2019. He highlighted that the annual revenue and profit for the year had been on a sliding trend since FY2015. In addition, the trend and outlook for the coming year, as stated in the Management Discussion & Analysis, is expected to be more challenging. In light of this, Mr Lee sought the Board's clarification on whether the Board had taken steps to mitigate decline in the Group's results.
- 1.4 Mr Vincent Chew thanked Mr Lee for his observations. He shared view on the market as well as the ongoing multi-pronged efforts to improve performance. He said that there was a general decline in the Malaysian market following the introduction of the GST (Goods and Services Tax). The abolishment of the GST and the ensuing 3-month tax holiday was an impetus for short-term market growth. The introduction of the SST (Sales and Service Tax), the weakening of the local currency had increased costs for the Group. Further, the influx of cheaper mainland China-made brands had posed fierce competition to our products and cross border online selling has also opened many markets, including Malaysia, to merchants in mainland China that enabled the consumers to buy directly from them.
- 1.5 He then shared on product development and marketing initiatives. The Group is working on IoT ("Internet of Things") platform, in collaboration with Tuya Global from mainland China. Pensonic is the first to launch IoT products and there are plans to develop a single software application to control a range of products.
- 1.6 The current offering from the Group included robot vacuum cleaner, air conditioner, air purifier and water heater. Apart from these, the Group would be bringing in sensors, IR (infra-red) remote controllers, door locks and switches for marketing to the consumer at large and property developers keen on smart homes.
- 1.7 Internally, management has put in place various cost rationalisation measures, maintaining optimal headcount and synchronising shared services within the Group.

- 1.8 Encik Wan Mohd Rushdi, a shareholder, suggested for the Company to set up virtual reality shops to enable customers to view the product from the comfort of their own home. Management noted his suggestion.
- 1.9 Also in response to Encik Wan Mohd Rushdi, Mr Vincent Chew explained that credit risk principally arise from receivables outstanding from customers and the increase in credit risk was in tandem with increase in revenue.
- 1.10 On the impact from the protracted US-China trade tensions, Mr Vincent Chew explained that there are many enquiries from overseas customers. However, the Group was unable to match the required costing structures. Instead, the Group is focused on offering other value added services such as light manufacturing / assembly services and the ensuing certificate of origin to facilitate direct export from Malaysia. This effort is in the infancy stage presently.
- 1.11 Mr Chee Hong Kok, a shareholder, queried on the increase in borrowings and whether there were any plans to call for additional funds from the shareholders. Mr Vincent Chew replied that the increase in borrowings was to fund the new construction of the warehouse in Kapar, Selangor. There was currently no plan to raise additional funds from shareholders.
- 1.12 Mr Ng Guan Leong, a proxy, commended the Board and Management on their efforts to bring the Group into the digital age, which is a much needed effort for Pensonic to stay relevant in today's market. He suggested that the shareholders should be kept updated through emails and flyers on the product launches. Mr Vincent Chew replied that his suggestion will be considered and shared with the marketing team.
- 1.13 As no further queries were raised, Dato' Seri Chairman declared that the AFS of the Company and the Group for FY2019 were duly received by the shareholders and proceeded to the next item on the Agenda.