

MAGNI-TECH INDUSTRIES BERHAD
Registration No. 199701007089 (422585-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE 26TH ANNUAL GENERAL MEETING (“**AGM**”) OF MAGNI-TECH INDUSTRIES BERHAD (“**MAGNI**” OR “**THE COMPANY**”) WHICH WAS CONDUCTED FULLY VIRTUAL THROUGH LIVE STREAMING AND ONLINE REMOTE VOTING USING REMOTE PARTICIPATION AND VOTING (“**RPV**”) FACILITIES VIA THE ONLINE MEETING PLATFORM AT WWW.PROPOLL SOLUTIONS.COM.MY PROVIDED BY PROPOLL SOLUTIONS SDN. BHD. IN MALAYSIA (DOMAIN REGISTRATION NUMBER D1A403203) ON WEDNESDAY, 27 SEPTEMBER 2023 AT 10.30 A.M.

Key matters discussed at the 26th AGM are summarised as follows:-

1. The revenue growth was driven by a 25.4% surge in Garment Segment revenue to RM1.113 billion from RM887.472 million in FYR 2022, mainly due to recovery in sales orders received, which was made possible by our various strategies to drive sales and production during FYR 2023 as compared to the disruptions in FYR 2022, particularly the 2.5 months strict Covid-19 lockdown in Vietnam then. (Page 13 of Annual Report 2023)

Does the group expect the revenue of the Garment Segment to continue to grow in the next two financial years, given the strong demand and ease of restriction in post-pandemic?

Management Response: The demand for garments is expected to rise and the group will continue to drive sale revenue and output in the coming years.

2. For the Garment Segment, on top of pursuing expansion in production capacity to cater to a potential increase in customer demand, the Group is exploring production location diversification to have multiple production bases to mitigate the risk of production base concentration and align with customer multi-country origin strategy. (Page 15 of Annual Report 2023)
 - a) Is there any development on the Group’s plan to explore production location diversification for the Garment Segment?
 - b) In percentage, what is the current production output of Garment production facilities in Malaysia and Vietnam, respectively?

Management Response: We are in the process of exploring and assessing the suitability of various potential production facilities, bearing in mind the importance of being agile. The production of garments is mainly carried out in Vietnam.

3. Total revenue from a major customer, which contributed to more than 10% of the Group’s revenue, amounted to RM1,067,421,420 (2022: RM858,260,046), arising from sales by the garment segment. (Page 103 of Annual Report 2023) The revenue from the major customer represents 88.0% (FYR 2022: 86.8%) of the Group’s total revenue of RM1,212,383,910 in FYR 2023 (FYR 2022: 988,971,152). What are the measures taken by the Group to mitigate the risk of overreliance on the major customer, and the progress of the actions taken?

Management Response: There are ongoing efforts in mitigating such risk through improving the overall operating efficiency, price competitiveness, and diversification of product range to enhance our market share. We place our customers at the heart of our business endeavour, striving to exceed customers' expectations with focuses on creating value through innovation, quality, customer service, and sustainability.

4. The Group's sundry receivables increased by RM36,578,028 or 777% to RM41,284,042 as at 30 April 2023 (As at 30 April 2022: RM4,706,014). (Page 87 of Annual Report 2023)

- a) What is the nature of the sundry receivables at 30 April 2023?
- b) To date, in FYR 2024, what amount was recovered for the sundry receivables on 30 April 2023?

Management Response: These are prepayments to suppliers which have been settled after the end of FYR 2023.

5. In FYR 2023, the Group recorded a fair value loss on investment in unquoted shares of RM6,382,037 (FYR 2022: fair value gain of RM6,789,282), bringing the carrying amount of the investment in unquoted shares to RM18,227,194 as at 30 April 2023 (As at April 2022: RM24,609,231). (Page 85 & 86 of Annual Report 2023)

What is the outlook for investing in the unquoted shares representing the entities incorporated in Vietnam that are involved in manufacturing and selling textile and garment products?

Management Response: The demand for apparel related goods is expected to be positive, albeit the need to weather the negative factors such as the constraints of inflation, interest hike and the impact of geopolitical tensions. In view of these, we remain cautiously optimistic about the outlook on the performance of unquoted shares.

6. The internal audit costs incurred during FYR 2023 was RM14,815. (Page 55 of Annual Report 2022)

- a) Given that the fee is rather small (around RM1,235 per month) compared to the Group's revenue of RM1.21 billion for FYR 2023, how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function?
- b) What are the key audit areas or cycles that covered by the internal auditor in FYR 2023?
- c) Does the internal audit's work cover Vietnam operations in FYR 2023?

Management Response: To ensure adequate coverage and also cost-effective audit, the auditable areas are periodically rotated with priority on significant risk ones and identify new opportunities for efficiencies and improvements. The areas covered included efficiency and cost control on product sample development, production process, efficiency and cost control. The internal audit work did not cover Vietnam operations in FYR 2023.

7. What is the management priority in terms of business expansion? Does it prioritize the pursuit of a larger share of business from current major customer, or does it prefer getting more sales from other customers?

Management Response: Our priority is to support the business direction of our major customers as well as to grow with them as their strategic partner. At the same time, we will continue to explore any opportunity to develop business with other brands for customer diversification.

8. Did the rooftop solar panel result in significant saving in electricity costs for garment plant besides reducing the annual GHG emissions? Page 22 annual report?

Management Response: The rooftop solar panel did result in significant saving in electricity costs of 70% for the garment plant.

9. Any increase or expected increase in minimum wages for Vietnam garment operations for FY 2023 and 2024?

Management Response: Vietnam's minimum wage has gone up ranging from 5.9% to 6.1%, depending on which province, starting July 1, 2022. The Vietnamese government has not yet announced any revision for 2023.

10. How much was the gain or loss resulting from sale of investment securities (RM3,652,074 as at 30 April 2022)?

Management Response: The fair value gain on the above investment securities (ie. money market unit trusts) in FYR 2023 was RM43,879.

11. Does Magni generate packaging revenue from export during 2023?

Management Response: Yes, 7% of the packaging revenue for FYR 2023 was from export and indirect export, namely sales to LMW/FTZ companies.

12. What are the strategies of packaging segment for the coming year?

Management Response: Packaging segment will continue to focus strategically on the food and beverage and other fast-moving consumables, including pharmaceuticals and healthcare related products due to their higher value-added content. Furthermore, these products are recession proof and will also ride on higher demand attributed to the growing population given that packed food products have made a significant impact on the modern human lifestyle.

13. Page 92 of annual report – Revenue from USA and EU have increased substantially vs last year whereas revenue from China was lower this year, Pls explain why.

Management Response: The substantial revenue increase for USA and EU are mainly due to recovery from pandemic as compared with China that was faced with prolonged lockdown.

14. Of the amount due from subsidiaries RM138,729,827, how much was due by the dormant subsidiary company?

Management Response: As at the end of FYR 2023, there was no amount due from South Island Packaging (Penang) Sdn Bhd, the subsidiary that had ceased manufacturing operations.

15. Why is Magni seeking AGM's approval to issue new shares when the company is cash rich?

Management Response: The purpose of this resolution is to have the relevant mandate in place. However, the Company will only issue new shares if such exercise is beneficial to the Company.

16. Can shareholders expect a total dividend of not less than 2023's 9 Sen for FY 2024? Will Magni declare dividend every quarter this year?

Management Response: The rate of dividend payment will mainly be decided based on the net profit of the period, taking into consideration the existing cash flow situation, future cash requirements and business outlook.

The Company has not adopted any dividend policy but has been unfailingly paying dividends every year since its IPO in 2000, and practicing a payout ratio ranging from 30.7% to 40.9% over the past five years, as disclosed in our annual report. Magni has declared and paid an interim dividend of 2.8 Sen for Q1-FYR 2024.

17. Please advise why no repayment was made by subsidiaries over the years?

Management Response: About 91.6% of the said amount was repaid to the holding company subsequent to the end of FYR 2023.

18. Is the order based on purchase order basis?

Management Response: Yes, the orders from customers are based on purchase orders.