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

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE 27TH 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 HTTPS://WWW.PROPOLLSOLUTIONS.COM.MY PROVIDED BY PROPOLL SOLUTIONS SDN BHD IN MALAYSIA (DOMAIN REGISTRATION NUMBER D1A403203) ON WEDNESDAY, 02 OCTOBER 2024 AT 10.30 A.M.

Key matters discussed at the 27th AGM are summarised as follows:-

1. Does the Company see more China player setting up garment plant in Malaysia or Vietnam to compete with Magni Group in term of price war?

   Management Response: We do expect more China players to set up garment plants in Vietnam due to the US trade war. However, this is not expected to happen in Malaysia.

2. As regards the proposed continuation of the independent director, Mr. Tan Poh Heng who has served the Company for more than 9 years, kindly advise whether he has any direct or indirect family relationship with the substantial shareholders, Tan family?

   Management Response: Mr. Tan Poh Heng neither has any direct or indirect family relationship with said substantial shareholders as per the relevant disclosure at the bottom of page 7 of Annual Report 2024.

3. The Company has not adopted Practice 5.9 of the Malaysian Code of Corporate Governance (MCCG), which advocates that the Board comprise at least 30% women directors. The Board currently has one female director among its five members, representing 20% of its composition. The Company mentioned that further female representation on the Board will be considered should vacancies arise and suitable candidates be identified. However, the Company has not established a timeframe to adopt Practice 5.9 (Page 25 of CGR2024).

   (a) Given the current gender disparity on the Board, when does the Board plan to appoint additional female directors?

   Management Response: No precise timeframe has been set to adopt Practice 5.9. However, we will try our best endeavour to source for suitable female candidate should any vacancy arise.

4. Garment segment delivered an organic growth in revenue by 13.1% to RM1.259 billion from RM1.113 billion in FY2023 mainly due to higher sales orders received which was made possible by various ongoing strategies to drive sales and production during FY2024 (Page 15 of AR2024).

   (a) Please provide insights into the Group's strategies and competitive advantages that enabled it to secure higher sales orders from its major customers. Does the Group anticipate continued growth in sales orders for the coming year?

Management Response: Revenue growth from Garment Segment was attributable to strong strategic partnership with customer which was supported by consistently high performance in term of innovation, quality, delivery, sustainability, and customer service.

Current market demand for apparel is dynamic and subject to the performance of global economy. Nevertheless, we will continue to engage with customers to explore for business growth.

(b) What were the annual installed capacities and utilisation rates of the factories in Malaysia and Vietnam in FY2024? Additionally, does the Group have sufficient excess production capacity to accommodate further increases in sales orders from its major customers?

Management Response: The group has endeavoured to optimise the product utilisation and has implemented several improvement measures to unlock more production capacity, such as enhancing production efficiency through skill training, process innovation and streamlining, elevating Lean production management, and investing in modernisation and automation.

(c) What percentage of the Group's garment production was subcontracted out in FY2024?

Management Response: All our garments are produced in our factory in Malaysia and joint venture factories in Vietnam.

5. Garment segment's profit before tax for FY2024 increased by 35.8% to RM157.72 million as compared to RM116.10 million in FY2023. Gross profit ratio of garment segment improved from 14.4% in FY2023 to 15.8% mainly due to lower overhead costs ratio (Page 15 of AR2024).

(a) What initiatives were taken by the Group to reduce the overhead cost ratio?

Management Response: There have been continuous improvement plans to reduce the overhead cost ratio such as resource optimization and cost-cutting.

(b) Which components of the cost of sales are more volatile than others and could impact the Garment Segment in the upcoming year?

Management Response: Labour costs are expected to be one of the more volatile cost of sales components for the Garment Segment in the upcoming year, mainly due to volatility of wages. However, labour costs volatility remains manageable through effective cost control measures, including skill training, productivity enhancement, process streamlining, workforce optimization, and passing of costs to customers.

6. Vietnam's minimum wage will increase by 6% starting July 1, 2024. (Source: https://www.ecovis.com/global/minimum-wage-vietnam-6-increase-from-1-july-2024/)

(a) What is the estimated percentage impact of Vietnam's minimum wage increase on the Garment Segment's profit margin?

(b) Can the Group pass on this increased cost, or at least a portion of it, to its customers?

Management Response: There will be no major impact from Vietnam's minimum wage increase on the garment profit margin as the effect will be mitigated by continual improvement in labour productivity and other initiatives as stated in the answer for Q5(b) above. Any such cost increase, if applicable, can be passed on to customers eventually.

7. The Group has acknowledged the customer concentration risk within its Garment segment and has indicated ongoing efforts to mitigate this risk through potential mergers and acquisitions of businesses with diversified brands (Page 17 of AR2024).

(a) Please provide an update on the progress made to mitigate the customer concentration risk, particularly in relation to the pursuit of potential mergers and acquisitions.

Management Response: There are ongoing efforts to pursue potential mergers and acquisitions. However, the Group has not yet found the right M&A partners.

Apart from M&A, the effort on enhancing business relationship with customer and operational performance has reflected positive results on the financial performance for FYR 2024.

8. The Group has committed to capital expenditure for a factory building amounting to RM11.83 million as of the end of FY2024 (Page 94 of AR2024).

(a) Please provide details regarding the factory building. By what percentage will this investment increase the Group's production capacity?

(b) Does the RM11.83 million include investments in plant and machinery for production?

If not, what is the budget allocated for plant and machinery?

Management Response: The purpose of this investment is to develop a Centre of Excellence for product and process innovation, modernisation and automation, and digital transformation.

9. The total annual greenhouse gas (GHG) emissions for the group stand at 2,008.49 tonnes of CO2. The predominant contributor to these emissions is electricity usage, which underscores the importance of focusing on energy efficiency and sustainable practices in electrical consumption to reduce the overall carbon footprint. To offset these emissions, the Group needs to plant a significant number of trees. Specifically, 50,213 trees are required to absorb the total CO2 emissions (Page 25 of AR2024).

(a) Where and by when does the Group plan to plant the trees? Please provide an update on the progress made.

Management Response: The reported CO2 emissions and the equivalent number of trees required for absorption is provided as a visualization to aid layman understanding.

Besides our solar energy contributions to offset CO2 emission, we plan to have tree planting event in collaboration with local NGO to restore degraded mangrove forest in Nibong Tebal as one of the 2024 sustainability events.

10. There is no performance data table (Bursa ESG Reporting Platform) in the Group's Sustainability Statement.

    (a) What is the Group's progress in gathering data for the enhanced sustainability reporting framework?

    (b) When can we expect to see the performance data table included in the Annual Report?

    Management Response: We are currently gathering the required data for inclusion in the Bursa ESG Reporting Platform by FYR 2025.

11. What was the returns on unquoted share investments for the financial year ended 30 April 2024 based on original investment costs?

    Management Response: The returns based on original costs for FYR 2024 was 12.2% p.a.

12. For Q1 of FY 2025, Magni's dividend payout ratio is 48.5% compared to 37.1% in Q1 of last year. Will the current payout ratio be maintained for the rest of the financial 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 and future cash requirements.

13. Does the garment division has any business dealing with the associate company, SIGP Joint Stock Company?

    Management response: Yes, SIGP is performing certain garment printing jobs for our garment segment in Vietnam.

14. What is the rationale for the proposed resolution for authority to issue new shares when the company has a large cash position?

    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 it.