

FORMOSA PROSONIC INDUSTRIES BERHAD

(Company No. 172312-K)

Minutes of the **Twenty-Ninth Annual General Meeting** of Formosa Prosonic Industries Berhad ("FPI" or "the Company") held at Crystal Room, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Thursday, 18 May 2017 at 10.00 a.m.

Present : As per attendance list

1. **OPENING**

The Chairman of the Meeting, Mr Shih Chao Yuan, welcomed everyone to the Meeting. The Secretary extended the apologies of YM Tengku Mohamed Fauzi bin Tengku Abdul Hamid and Mr Chang Chen Hsi who were not able to attend the Annual General Meeting ("AGM").

As the requisite quorum was present, Chairman called the Meeting to order.

The Notice convening the Meeting having been circulated and advertised in the newspaper was, with the consent of the Meeting, taken as read.

The Chairman then informed shareholders that pursuant to Paragraph 8.29(A)(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions as set out in the notice of the AGM would be decided by poll, which would be taken at the end of the Meeting after the Directors had dealt with questions from the shareholders.

2. **AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

2.1 The Chairman informed that under the Companies Act, 2016 ("the Act"), the audited financial statements were required to be laid before the Meeting and was not an item requiring a resolution to be put to vote.

2.2 Mr Teh Kian Liang ("Mr Teh"), a shareholder, raised the following questions:-

- (i) It was noted that the Company had achieved positive sales growth, mainly from its strategic alliance on branded musical instruments, and sales had greatly improved by 120% to RM56.6 million in the Financial Year Ended ("FYE") 2016 from RM25.7million in FYE 2015. Mr Teh asked whether the Company was expecting the continuous growth and positive yield for musical instruments.
- (ii) The transaction currency for sales of musical instruments to Roland Manufacturing Malaysia Sdn Bhd ("Roland").

2.3 To Mr Teh's questions, the Chairman replied as follows:-

- (i) Based on forecasts by FPI's customers, their sales were expected to improve gradually for FYE 2017 and for the ensuing year. The customer was looking forward and expecting sales growth for musical instruments. There was however no certainty for FPI's quantum of sales increase as it did not supply 100% of the components for certain musical instruments.
- (ii) The Company's sales were transacted in US Dollars. However, pursuant to a new rule announced in December 2016 by Bank Negara Malaysia ("BNM"), exporters must convert 75% of export proceeds in foreign currencies into Ringgit. FPI had since worked out various mechanism with its customers on sales transactions, prices of which were fixed in US Dollars but payment was made in Ringgit Malaysia.

2.4 Mr Chee Sai Mun ("Mr Chee"), a shareholder, enquired on the following:-

- (i) He noted that the fund reserves in US Dollars had reduced from RM90,294,953 in FYE 2015 to RM87,295,846.00 in FYE 2016. He enquired on FPI's strategy for utilisation of reserved funds and whether it would be used for purchasing imported parts. He further asked about the currency used for purchases.
- (ii) The rationale for non-utilisation of the Company's reserve e.g. for acquisition of companies or undertaking corporate exercises to expand the Company's business.
- (iii) The reason for holding the vacant land located at Jalan Alauddin 5, Bandar Sultan Suleiman, Kawasan Perindustrian Fasa 4, Pelabuhan Klang Utara, Bandar Diraja Klang, Selangor, with a tenure of 60 years, under the list of properties in the Annual Report 2016.
- (iv) Whether the Company had any plan to acquire the manufacturing facility owned by its former associate, Acoustech Berhad, which was located at Port Klang.

2.5 The Chairman replied to Mr Chee's questions as follows:-

- (i) The Company's US Dollars reserve had reduced in 2016 due to the new BNM's rule. The Company would however reserve a substantial amount of US Dollars as allowed by BNM. He also informed that FPI's purchases were denominated in US Dollars.
- (ii) The Company did not utilise its US Dollars as the currency was expected to remain strong in the long term. Utilisation of reserved funds would depend on viable investment opportunities and for re-layout / expansion of factory floor space to accommodate the demand of FPI as well as its tenants for increasing their production capacity.

- (iii) The piece of vacant land was originally intended for a project between FPI and its major shareholder, Wistron Corporation (“Wistron”), which had since remained status quo. The Company would look into utilising the piece of land in due course.
 - (iv) The Company had no intention of acquiring Acoustech Berhad’s manufacturing facility at Port Klang for the time being. He added that the Company had acquired from Acoustech Berhad the factory located at Sg. Petani in the previous year and that currently there were still some trading between the two (2) companies.
- 2.6 Mr Ooi Liang Chye (“Mr Ooi”), a shareholder, enquired on the main customers for FPI and was informed by the Chairman that FPI was a supplier to various customers both locally and globally including Roland and Casio.
- 2.7 To Mr Teh’s question on the supply of digital piano and organ, the Chairman explained that the Company supplied the components whereas its customers would carry out the final assembly of their musical instruments.
- 2.8 Mr Teh then complimented the Company for its good financial performance for the first quarter period ended 31 March 2017 (“Q1/2017”), with approximately RM10 million of profit. Meanwhile, Mr Chee queried on the loss incurred in respect of the Group’s operation in the United Kingdom (“UK”).
- 2.9 The Chairman informed that the UK subsidiary, Acoustic Energy Limited (“AE”), had been making losses in the past five (5) financial years and was undergoing a Management Buy-Out (“MBO”). FPI would maintain ownership of the brand name and the property held under AE. To Mr Teh’s and Mr Ooi’s further enquiries on the restructuring of AE, the Chairman informed that impairment losses had been accounted for and that FPI would be charging royalty once AE made a profits. He added that the Management team of AE had been aggressively trying to turnaround the company and that FPI would be monitoring AE’s financial performance.
- 2.10 To Mr Chee’s question on the contribution of foreign exchange gain for Q1/2017, the Chairman answered that foreign exchange gain was approximately RM3 million. The remaining RM7 million of profit was generated from operation.
- 2.11 Mr Ooi commented that the operating margin of FPI had improved and asked whether the Company was expecting good results for Q2/2017. Mr Teh also asked whether the Q2/2017 results would be better in view of the stable exchange rate between US Dollars and Ringgit Malaysia. The Chairman replied that foreign exchange gain was playing an important role for the Company to achieve good financial results and that a stable exchange rate would be favourable.
- 2.12 Mr Chee raised a question on the usage of capital expenditures (“Capex”) by the Company. The Chairman informed that Capex had increased and was mainly used for factory re-layout, purchase of machinery etc. to expand the operation capacity.

- 2.13 Mr Ooi enquired about FPI's strategy to increase productivity apart from employment of foreign workers in view of the labour shortage and increased costs and whether it would consider automation to reduce costs. The Chairman explained that automation was not suitable as FPI was operating in a niche market. Management would try to reduce labour cost while prioritising on product quality. The Company had incurred higher labour costs in FYE 2016 due to shortage of foreign workers. The supply of labour had gradually stabilised as the authority had progressively allowed intake of foreign workers in 2017. He also added that the Company had to rely on foreign workers as it was difficult to recruit locals at operator level.
- 2.14 In replying to Mr Chee's enquiry on dividends, the Chairman informed that FPI would try to maintain its dividend quantum, subject to the Company's profitability and cash reserve. He also explained that in 2016, the Group had some surplus from the disposal of operation in China and also the disposal of shares in an associate company. The Company would also reserve some funds for future investment opportunities.
- 2.15 Mr Ooi raised another question on the Company's budgeted capital commitment for the next two (2) years and was informed by the Chairman that the budgeted amount was approximately RM20 million to RM30 million. The Company would utilise its capital commitment for upgrading of facilities for Roland's operation expansion and for FPI's investments, building, machinery and equipment etc.
- 2.16 Mr Teh and Mr Ooi then enquired on the business of Wistron and its sales contribution in 2016. The Chairman answered that FPI and Wistron had been working on some projects, particularly on smart home solutions. It was expected that Wistron would contribute to sales once it had started operations.
- 2.17 Mr Teh also asked whether Wistron had any plans to move its operations to Malaysia. Mr Ooi raised further questions on Wistron's land at Port Klang and the reason for not letting the said piece of land.
- 2.19 Mr Shen Ching Yao ("Mr Shen"), a Director, replied that Wistron was currently collaborating with FPI in new audio products with built in software application in line with current technology. He explained that as the trend had changed from home theatre speakers to mobile speakers, the parties would be focusing on smart audio products which were expected to increasingly gain popularity in forthcoming years. Wistron would be supporting FPI in electronic software capability and was expected to bring high impact to FPI's future business. On Wistron's land, Mr Shen explained that Wistron planned to reserve it for future use as its South East Asia's facility as part of its regional expansion strategy.
- 2.20 Madam Ko Fik Hua ("Madam Ko"), a shareholder, asked the following questions:-
- (i) The estimated payback period in relation to the MBO of the UK operation.
 - (ii) Challenges faced by the Company and measures to manage the exchange rate exposures.

(iii) Dividend policy adopted by the Company.

(iv) Succession planning for FPI.

2.21 To Madam Ko's questions, the Chairman responded as follows:-

(i) AE was undergoing a restructuring via an MBO, upon which FPI would maintain the brand name and property in UK. The new management team would try to increase the operational level and FPI would charge a royalty for the use of AE brand once they started to generate profit. FPI was also looking into disposing the property in UK, which was situated at a strategic location, for capital gain. For the time being, the said property was rented to AE as its office at a nominal monthly rental of £1.

(ii) The Company manages its foreign exchange exposure partially through hedging. The amount of US Dollars hedged was about USD5 million.

(iii) There was no fixed dividend policy adopted by FPI but the Company would try to distribute reasonable dividends after taking into consideration the capital commitment and reserve requirement for future investment projects.

(iv) The Board and Management had been in discussion on succession planning. As Mr Chang Chen Hsi and Mr Tan Ah Guan @ Tan Teik Hoe, would be retiring after the conclusion of the Meeting, the Company would have to source for new Board members.

At this juncture, Ms Wu Swee Ngor, a shareholder of FPI, introduced to the Meeting the Company's senior management team members who were present at the Meeting. She informed that the team had been undergoing training and tasked with decision making in the Company's operations i.e. production, accounting, etc., including the strategy and planning for FPI Group.

2.24 There being no other questions asked, the Chairman declared that the audited financial statements for the financial year ended 31 December 2016 have, in accordance with the Act, been properly laid and received.

3. ORDINARY RESOLUTION 1

Payment of Directors' Fees in respect of the financial year ended 31 December 2016

The Chairman proceeded with the second item of the agenda of AGM which was to approve the payment of Directors' Fees of RM360,000.00 in respect of the financial year ended 31 December 2016.

At this juncture, Madam Ko raised her concern about the replacement of Dato' Zaibedah binti Haji Ahmad ("Dato' Zaibedah"), who had resigned on 30 June 2016, as there was no female director on the Board of the Company.

The Chairman informed that Dato' Zaibedah was a nominee of Permodalan Nasional Berhad, a substantial shareholder, on the Board of the Company and she had since retired. The Company was in the midst of sourcing a suitable candidate to fill the position.

There being no other question asked, Chairman informed that the poll for Ordinary Resolution 1 would be taken at the end of the Meeting.

4. ORDINARY RESOLUTION 2

Payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 January 2017 to 30 June 2018

The Meeting then proceeded with the next item of the agenda which was to approve the payment of Directors' benefit of up to RM1,200,000.00 for the financial period from 1 January 2017 to 30 June 2018.

To Mr Ooi's enquiry on the quantum of Directors' benefits, the Chairman explained that the amount was an estimation made in respect of the Directors' services for the current financial year up to the date of the next AGM.

There being no further question asked, the Chairman informed that the poll for Ordinary Resolution 2 would be taken at the end of the Meeting.

5. ORDINARY RESOLUTION 3

Re-Election of Mr Chen Ching Sen

The Meeting then proceeded with the re-election of Mr Chen Ching Sen, who would be retiring in accordance with Article 109 of the Constitution of the Company and had offered himself for re-election, as a Director of the Company.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution 3 would be taken at the end of the Meeting.

6. ORDINARY RESOLUTION 4

Re-Election of Tengku Mohamed Fauzi bin Tengku Abdul Hamid

The Meeting then proceeded with the re-election of Tengku Mohamed Fauzi bin Tengku Abdul Hamid, who would be retiring in accordance with Article 109 of the Constitution of the Company and had offered himself for re-election, as a Director of the Company.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution 4 would be taken at the end of the Meeting.

7. ORDINARY RESOLUTION 5
Re-Appointment of Auditors

The Meeting then moved on to the next item on the agenda which was the re-appointment Messrs BDO as the Auditors of the Company and to authorise the Directors to fix their remuneration.

Madam Ko suggested that the Company explore and search for quotations from other audit firms to maximise cost optimization. The Chairman thanked the shareholder for her suggestion and commented that the audit fee proposed by Messrs BDO was considered reasonable as compared with the fees of other large audit firms. He also put on record the Company's appreciation to the audit team from Messrs BDO for their services. He further informed that the financial statements of some dormant subsidiaries within FPI Group were audited by another audit firm i.e. Messrs RSM Malaysia.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution 5 would be taken at the end of the Meeting.

8. ORDINARY RESOLUTION 6
Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016

The Meeting then proceeded to the next item on the agenda which was the proposed resolution to obtain authority from shareholders to authorise the Directors to allot and issue shares of the Company pursuant to Section 75 and 76 of the Companies Act 2016.

Mr Chee suggested that the Company consider distributing its share premium account balance as bonus issue to shareholders, further to the abolishment of the concept of par value and share premium after the enforcement of the new Companies Act 2016. The Chairman informed that as the balance in FPI's share premium account was only approximately RM1 million, it was not viable for a bonus issue. He added that the Company had yet to plan for the utilisation of share premium.

Madam Ko asked whether FPI would consider a private placement and was informed by the Chairman that the Proposed Ordinary Resolution 6 was to provide flexibility to the Company to issue new securities and to speed up the process in the event any strategic partner was identified to invest in FPI. The Company had yet to issue any new shares under the shareholders' mandate, which was renewed every year at its AGM. It was further noted that pursuant to the Companies Act 2016, the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company at any point of time.

There being no further question asked, the Chairman informed that the poll for Ordinary Resolution 6 would be taken at the end of the Meeting.

9. ORDINARY RESOLUTION 7
Proposed Authority for Share Buy-Back

The Chairman informed that the next agenda item was the proposed resolution to obtain a mandate from shareholders for the Company to purchase its own shares up to 10% of the issued and paid up share capital at any given point in time during the authorised period.

To Mr Chee's enquiry on the rationale for share buy-back, the Chairman explained that it would enable FPI Group to utilise its surplus financial resources to purchase the shares of the Company and to stabilise the price of FPI's shares.

Mr Chee suggested that the Company look into distributing the reserve funds as bonus issue for the shareholders.

To Mr Chee suggestion, the Chairman explained that at the moment the Company planned to utilise its reserve funds for share buy-back. However, the suggestion from Mr Chee would also be taken as consideration.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution 7 would be taken at the end of the Meeting.

10. ORDINARY RESOLUTION 8
Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

The Meeting then proceeded to the next item on the agenda which was the retention of Mr Leow Ing Seng who had served for more than nine (9) years, as an Independent Director of the Company in line with Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution no. 8 would be taken at the end of the Meeting.

11. ORDINARY RESOLUTION 9
Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

In addition, the Chairman informed that the next item on the agenda which was the retention of Mr Lim Chung Yin who had served for more than nine (9) years, as an Independent Director of the Company in line with Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012.

There being no question asked, the Chairman informed that the poll for Ordinary Resolution no. 9 would be taken at the end of the Meeting.

Before the Meeting proceeded with polling, the Chairman informed that Mr Chang Chen Hsi and Mr Tan Ah Guan @ Tan Teik Hoe, the Directors who had been re-appointed in the previous Annual General Meeting held on 9 June 2016 under Section 129(6) of the former Companies Act, 1965, which was then in force, and whose term would expire at the conclusion of the Meeting, had expressed their intention not to seek re-appointment as Directors of the Company. On behalf of the Board, the Chairman put on record his appreciation to the two (2) Directors for their contribution to the Company.

12. POLL PROCESS

The Chairman informed that the Company had appointed Asia Securities Sdn Bhd as the independent Scrutineers for the poll and invited the representative of the poll administrators, Tricor Investor & Issuing House Sdn Bhd, to brief the Meeting on the poll procedures.

The Meeting then proceeded to vote and was adjourned at 11.15 a.m. for counting of votes.

13. ANNOUNCEMENT OF POLL RESULTS

The Chairman reconvened the Meeting at 11.30 a.m. for the declaration of poll results as follows:-

Resolutions	Vote For		Vote Against		Total Votes	
	No of Units	%	No of Units	%	No of Units	%
Resolution 1	159,775,578	100.00	0	0	159,775,578	100.00
Resolution 2	159,775,578	100.00	0	0	159,775,578	100.00
Resolution 3	159,775,578	100.00	0	0	159,775,578	100.00
Resolution 4	159,771,578	99.997	4,000	0.003	159,775,578	100.00
Resolution 5	159,771,578	99.997	4,000	0.003	159,775,578	100.00
Resolution 6	106,997,478	100.00	0	0	106,997,478	100.00
Resolution 7	159,775,578	100.00	0	0	159,775,578	100.00
Resolution 8	106,997,478	66.967	52,778,100	33.033	159,775,578	100.00
Resolution 9	106,997,478	66.967	52,778,100	33.033	159,775,578	100.00

Based on the poll results, the Chairman declared that the Ordinary Resolution 1 to Ordinary Resolution 9 tabled at the Meeting were carried.

It was RESOLVED as follows:-

ORDINARY RESOLUTION 1

Payment of Directors' Fees in respect of the financial year ended 31 December 2016

“THAT the payment of Directors' Fees in respect of the financial year ended 31 December 2016 be and is hereby approved.”

ORDINARY RESOLUTION 2

Payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 January 2017 to 30 June 2018.

“THAT the payment of Directors' benefits of up to RM1,200,000 for the financial year period from 1 January 2017 to 30 June 2018 be and is hereby approved.”

ORDINARY RESOLUTION 3

Re-Election of Mr Chen Ching Sen

“THAT Mr Chen Ching Sen, the Director retiring in accordance with Article 109 of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 4

Re-Election of Tengku Mohamed Fauzi bin Tengku Abdul Hamid

“THAT Tengku Mohamed Fauzi bin Tengku Abdul Hamid, the Director retiring in accordance with Article 109 of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 5

Re-Appointment of Auditors

“THAT the retiring auditors, Messrs BDO, having indicated their willingness to continue in office be hereby re-appointed as the Auditors of the Company and be hereby authorised the Directors to fix their remuneration.”

ORDINARY RESOLUTION 6

Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016

“THAT pursuant to Section 75 and 76 of the Companies Act 2016 and approvals from Bursa Malaysia for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company at any point of time AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

ORDINARY RESOLUTION 7

Proposed Authority for Share Buy-Back

“THAT subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorized to purchase such number of ordinary shares in the Company as may be determined

by the Board from time to time on Bursa Malaysia Securities Berhad upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities Berhad as at the time of purchase(s) and an amount not exceeding the retained profits of the Company based on the latest audited accounts of the Company as at 31 December 2016, at the time of purchase(s).

THAT such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or distribute them as share dividend and/or subsequently cancel them.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including executing all such documents as may be required) and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company.”

ORDINARY RESOLUTION 8

Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

“THAT Mr Leow Ing Seng, an Independent Director who has served in the Company for more than nine (9) years be hereby retained as an Independent Director and to hold office until the next Annual General Meeting.”

ORDINARY RESOLUTION 9

Retention of Independent Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

“THAT Mr Lim Chung Yin, an Independent Director who has served in the Company for more than nine (9) years be hereby retained as an Independent Director and to hold office until the next Annual General Meeting.”

14. CLOSURE

There being no other business the Meeting was closed at 11.35 a.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

CHAIRMAN

Date: 17 August 2017