FORMOSA PROSONIC INDUSTRIES BERHAD
Registration No. 198801004954 (172312-K)

Minutes of the **Thirty-Eighth Annual General Meeting** ("**AGM**") of Formosa Prosonic Industries Berhad ("**FPI**" or "**the Company**") held at Crown Hall, Level 1, Crystal Crown Hotel Harbour View, 217 Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan, Malaysia on Friday, 29 May 2026 at 10.00 a.m.

Present : <u>Board of Directors</u>
Mr Shih, Chao-Yuan
Mr Leong Ngai Seng
Mr Wayne Leow Tze Waye
Ms Goh Saw Tin

<u>By Invitation</u>
Mr Chong Lien Kieung (General Manager for Finance and Accounts)
Ms Lim Chun Hooi (Senior Manager for Internal Controls and Risk Management)
Mr Law Kian Huat (Representative from BDO PLT)
Ms Lee Jia Yee (Representative from BDO PLT)

<u>In Attendance</u>
Ms Lau Yen Hoon, Ann (Company Secretary)
Ms Yew Soo Jing (Representative from Tricor Corporate Services Sdn Bhd)
Ms Soh Hui Ling (Representative from Tricor Corporate Services Sdn Bhd)

The attendance of shareholders/ corporate representatives/ proxies are as per the Attendance List.

1. OPENING

The Chairman of the Meeting, Mr Shih Chao Yuan, welcomed all attendees to the Thirty-Eighth AGM of the Company.

The Chairman introduced the members of the Board of Directors and Company Secretary who were present at the AGM and informed that the External Auditors, BDO PLT, were also joining the Meeting.

2. QUORUM

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

3. NOTICE

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

4. POLL VOTING

The Chairman informed shareholders that pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions 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 have dealt with all agenda items and questions received from shareholders or proxies.

The Company had appointed Tricor Investor & Issuing House Services Sdn Bhd as the poll administrator and Scrutineer Solutions Sdn Bhd as independent Scrutineers to verify the poll results.

ORDINARY BUSINESSES:

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

The Chairman informed that pursuant to the provisions of Section 340(1) of the Companies Act 2016 ("**the Act**"), the audited financial statements were required to be laid before the Meeting and that it was not an item requiring a resolution to be put to vote.

The Chairman informed that the Company had received a letter containing questions raised by the Minority Shareholders Watch Group ("**MSWG**") prior to the Meeting. The questions from MSWG and responses from the Company were projected onto the screen. The list of questions and answers was annexed hereto and marked as "Annexure A".

Questions were raised by shareholders/proxy(ies) and the list of questions and answers that had been addressed at the AGM were listed in Annexure A.

After all questions had been dealt with, the Chairman put on record that the Audited Financial Statements of the Company for the financial year ended 31 December 2025 had been properly laid and received in accordance with the Act.

6. ORDINARY RESOLUTION 1

Payment of Directors' Fees Amounting to RM175,671 for the Financial Year Ended 31 December 2025

The Chairman proceeded with the second item of the agenda which was to approve the payment of Directors' fees of RM175,671 in respect of the financial year ended 31 December 2025.

There being no question asked, the Chairman informed that the motion for the proposed Ordinary Resolution 1 would be put to vote at the end of the Meeting.

7. ORDINARY RESOLUTION 2
<u>Payment of Directors' Benefits of up to RM1,200,000 for the Financial Period from 1 July 2026 to 30 June 2027</u>

The Meeting then proceeded with the next agenda which was to approve the payment of Directors' benefit of up to RM1,200,000.00 for the financial period from 1 July 2026 to 30 June 2027.

There being no question asked, the Chairman informed that the motion for the proposed Ordinary Resolution 2 would be put to vote at the end of the Meeting.

8. ORDINARY RESOLUTION 3
<u>Re-election of Mr Shih, Chao Yuan</u>

At this juncture, the Chairman passed the chair to Mr Leong Ngai Seng to chair the Meeting.

The Meeting then proceeded with the agenda item on the re-election of Mr Shih, Chao Yuan who would be retiring in accordance with Clause 117 of the Constitution of the Company and who had offered himself for re-election, as a Director of the Company.

There being no question asked, it was informed that the motion for the proposed Ordinary Resolution 3 would be put to vote at the end of the Meeting.

Mr Leong Ngai Seng then passed back the chair to the Chairman.

9. ORDINARY RESOLUTION 4
<u>Re-appointment of Auditors</u>

The Meeting proceeded to the next agenda on the re-appointment of BDO PLT as the External Auditors of the Company and to authorise the Directors to fix their remuneration.

The Chairman informed that BDO PLT had indicated their willingness to continue office.

There being no question asked, the Chairman informed that the motion for the proposed Ordinary Resolution 4 would be put to vote at the end of the Meeting.

SPECIAL BUSINESSES:

10. ORDINARY RESOLUTION 5
Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Meeting proceeded to the next agenda which was regarding the proposed Ordinary Resolution to obtain authority from shareholders for Directors to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016.

There was no question being raised for the Agenda item and that the motion for the proposed Ordinary Resolution 5 would be put to vote at the end of the Meeting.

11. ORDINARY RESOLUTION 6
Proposed Renewal of Authority for Share Buy-Back

The Meeting proceeded to the next agenda which was regarding the proposed Ordinary 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.

The Chairman informed that details of the proposal could be found in the Statement to Shareholders dated 29 April 2026.

The questions raised at the Meeting and answers by the Company were listed in Annexure A.

After all questions had been dealt with, the Chairman informed the motion for the proposed Ordinary Resolution 6 would be put to vote at the end of the Meeting.

12. ANY OTHER BUSINESS

The last item on the agenda was to transact any other business.

The Chairman informed that the Company did not receive any notice to transact other matters for which due notice is required to be given in accordance with the Act.

13. POLL VOTING

After going through all the motions set out in the Notice, the Meeting proceeded to the voting session.

The poll administrator, Tricor Investor & Issuing House Services Sdn Bhd, played a video to brief the shareholders on the poll procedures.

Thereafter, the members and proxies were invited to cast their votes.

14. ADJOURNMENT OF MEETING

The Meeting was adjourned at 11.30 a.m. for the counting of votes.

15. ANNOUNCEMENT OF POLL RESULTS

Upon receipt of the poll results verified by the Scrutineers, the Chairman reconvened the Meeting at 11.58 a.m. to announce the poll results, which were as follows:-

Resolutions	Vote For		Vote Against		Total Votes	
	No of Units	%	No of Units	%	No of Units	%
Resolution 1	92,135,222	99.9926	6,800	0.0074	92,142,022	100.0000
Resolution 2	92,015,588	99.8634	125,834	0.1366	92,141,422	100.0000
Resolution 3	91,344,622	99.1346	797,400	0.8654	92,142,022	100.0000
Resolution 4	92,135,022	99.9924	7,000	0.0076	92,142,022	100.0000
Resolution 5	92,141,222	99.9998	200	0.0002	92,141,422	100.0000
Resolution 6	92,141,822	99.9998	200	0.0002	92,142,022	100.0000

Based on the poll results, the Chairman declared that Ordinary Resolution 1 to Ordinary Resolution 6 as tabled at the Meeting were carried.

It was **RESOLVED** as follows:-

ORDINARY RESOLUTION 1
Payment of Directors' Fees Amounting to RM175,671 for the Financial Year Ended 31 December 2025

"**THAT** the payment of Directors' Fees amounting to RM175,671 for the financial year ended 31 December 2025 be and is hereby approved."

ORDINARY RESOLUTION 2
Payment of Directors' Benefits of up to RM1,200,000 for the Financial Period from 1 July 2025 to 30 June 2026

"**THAT** the payment of Directors' benefits of up to RM1,200,000 for the financial period from 1 July 2026 to 30 June 2027 be and is hereby approved."

ORDINARY RESOLUTION 3
Re-election of Mr Shih, Chao Yuan

"**THAT** Mr Shih, Chao Yuan, the Director retiring in accordance with Clause 117 of the Constitution of the Company, be and is hereby re-elected as Director of the Company."

ORDINARY RESOLUTION 4
<u>Re-appointment of Auditors</u>

"**THAT** the retiring auditors, BDO PLT, having indicated their willingness to continue in office, be hereby re-appointed as the Auditors of the Company and that the Directors be hereby authorized to fix their remuneration."

ORDINARY RESOLUTION 5
<u>Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016</u>

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and subject to the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for the time being;

THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities;

AND THAT such authority shall continue to be in force until

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting."

ORDINARY RESOLUTION 6
<u>Proposed Renewal of Authority for Share Buy-Back</u>

"**THAT** subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

16. CLOSURE

There being no other business, the Meeting was closed at 12.05 p.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

CHAIRMAN

Annexure A

Questions addressed at the AGM

(i) Questions from the Minority Shareholders Watch Group ("MSWG")

The following questions from the MSWG and responses from the Company were presented at the AGM:-

Operational & Financial Matters

Q1. The Group's revenue has declined from RM673.9 million in FY2023 to RM430.7 million in FY2025, a cumulative drop of 36.1% over two years. The Group has indicated it intends to capitalise on several new products currently in production and execute a new business plan emphasising diversification across its customer base and product offerings (Page 6 of the Annual Report (AR) 2025).

(a) What are the specific new products currently in production? Which customer segments is the Group targeting with these products?

(b) When does the Group expect these new products to contribute meaningfully to revenue? What is the projected recovery trajectory for FY2026?

A1. (a) Amid the tariff war, we have successfully developed and started producing a new product. However, due to the non-disclosure agreement (NDA), we are unable to disclose further details on this product. This is the first time this product has been manufactured in Malaysia.

(b) Due to ongoing geopolitical tensions in the Middle East and Europe, the Group has experienced shipment delays and a number of order cancellations. Nevertheless, the Group continues to expect a meaningful contribution from this product to its revenue in FY2026. Consequently, barring any unforeseen circumstances, the Group anticipates a recovery in revenue for FY2026.

Q2. Operating cash flow fell sharply from RM70.7 million in FY2024 to RM9.1 million in FY2025 (Page 8 of the AR 2025). Foreign exchange losses surged to approximately RM28.2 million in FY2025, comprising net realised losses of RM14.8 million (FY2024: RM9.9 million) and unrealised losses of RM13.3 million (FY2024: RM0.5 million) (Page 117 of the AR 2025).

(a) What specific measures is the Group taking to restore operating cash flow generation in the near term?

(b) The Group has disclosed it mitigates currency risk through forward contracts and export revenue in foreign currencies (Page 9 of the AR 2025). Given the surge in foreign exchange losses in FY2025, what specific adjustments are being made to the hedging programme? What proportion of the Group's foreign currency exposure is currently hedged?

A2. (a) The Group is implementing focused measures to strengthen operating cash flow through disciplined inventory management, stringent credit controls, and proactive cost pass-through mechanisms to optimize working capital, enhance collections, and protect profit margins.

(b) The foreign exchange loss was primarily attributable to the unexpected and significant appreciation of the Ringgit against other major currencies during the financial year. To mitigate such risks, the Group aims to enhance matching of currency inflows and outflows (natural hedging) by aligning payment terms and sourcing where possible. And review and adjust hedge sizes and maturities more frequently in response to market volatility.

Q3. Approximately 82.9% of trade receivables were owed by three major customers (Page 106 of the AR 2025). Wistron Corporation ceased to be a major corporate shareholder of the Company on 17 September 2025, with related-party sales declining from RM40.5 million in FY2024 to RM13.4 million in FY2025 (Pages 126 and 127 of the AR 2025). Trade receivables of more than 60 days due more than doubled to RM4.2 million (FY2024: RM1.9 million) and receivables more than 90 days due surged from RM4,623 to RM533,050 (Page 105 of the AR 2025).

(a) How is the Group replacing revenue previously derived from Wistron? What progress has been made in reducing customer concentration?

(b) Does Wistron's cessation as a major corporate shareholder of the Company affect any existing supply or commercial arrangements going forward?

(c) The Group recognised additional impairment of RM103,778 on trade receivables in FY2025, bringing the total allowance to RM415,968 (Pages 85 and 103 of the AR 2025). Given the sharp deterioration in overdue receivables during the same period, does the Group consider the current impairment provision adequate? Is further impairment being assessed?

A3. (a) & (b) FPI has repeatedly stated that since Wistron invested in FPI, it has never played any role in FPI's daily operations. The original intention of their investment was that the Company would hope to explore further opportunities and expand our business into other areas with Wistron. But unfortunately, this did not happen.

The related transactions arose because we secured new business and required one of the major components, which Wistron (beside China) is the only in the market which could provide at a lower price, better quality, and with product liability insurance coverage. We negotiated with customer to transfer business ownership to benefit FPI and FPI's customer. Also, that turned out to be a successful plan, as there was a shortage of ICs during that period and Wistron has a stronger buying power in ICs.

The cessation of Wistron as a major corporate shareholder of the Company does not impact FPI at all.

In the current turbulent global situation, we will do our best to explore further and split our customer concentration. We have successfully obtained a new customer and production has commenced. However, we are unable to disclose further details due to a non-disclosure agreement (NDA). Please refer to Question 1 for additional information.

(c) Based on this assessment, which incorporates forward-looking credit risk information and the Group's credit control measures, the current impairment provision is considered adequate. The Group does not expect further impairment to be required at this time, as the existing allowance appropriately reflects the recoverability of trade receivables.

<u>Sustainability Matters</u>

Q4. The Group's safety data for FY2025 shows a significant deterioration. Injury incidents increased sharply from 2 cases in FY2024 to 20 cases in FY2025, one fatality was recorded (FY2024: Nil), one work-related illness was reported (FY2024: Nil), and the Lost Time Injury Frequency rate worsened sharply to 4.28 (FY2024: 0.32). Notwithstanding this, the sustainability statement states that the Group has successfully managed to record zero cases of occupational fatality or work-related illnesses, which appears inconsistent with the data disclosed on the same page (Page 32 of the AR 2025).

(a) What were the root causes of the sharp increase in injury incidents and the fatality recorded in FY2025?

(b) What corrective and preventive measures have been implemented to address these incidents and strengthen workplace safety going forward?

(c) Can the Group clarify the discrepancy as mentioned above?

A4. We have taken note of the safety incidents in particular the fatality case recorded in FY2025. The fatality incident was duly reported to the relevant authorities, and the necessary investigations have been completed. The findings concluded that the incident was primarily attributable to human factors arising from non-compliance with established standard operating procedures (SOPs). The matter has since been closed by the relevant authorities. Nevertheless, Management regards workplace safety as a fundamental priority and has treated the incident with the utmost seriousness.

In response, the Group has implemented a series of enhanced control measures to strengthen workplace safety. These initiatives include redesigning machine layouts to improve operational safety, relocating electrical cables from floor level to overhead installations to minimize the risk of damage, upgrading cable protection systems, and reinforcing safety awareness through regular training programmes and toolbox briefings conducted in both Bahasa Malaysia and employees' native languages. These measures are intended to further strengthen the Group's safety culture, enhance workplace safety standards, and reduce the likelihood of similar incidents recurring.

We wish to inform that the Company has, on 28 May 2026, made a public announcement regarding an erratum to its Annual Report 2025. The errata relates to the safety performance statistics disclosed in the report.

Kindly take note of the announcement and be guided accordingly.

(ii) Questions raised and addressed during the AGM

<u>AGENDA 1 - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025</u>

1. Mr Chee Sai Mun, a shareholder, raised the following questions:-

Q1. As noted from the questions raised by MSWG regarding the downturn in the Company’s business, and the measures taken by the Company, it is understood that due to Non-Disclosure Agreements, the Company is unable to disclose detailed information. However, when does the Company expect these measures taken to mitigate the decline in revenue and profits to begin delivering results? When could shareholders expect to see improvement in the Company’s performance?

A1. The Chairman responded that shareholders may refer to the Company’s website, which provides information on its core competitive strengths, fundamentals and core technologies. The Company’s business is divided into audio and musical segments. In the current situation, while artificial intelligence (AI) infrastructure was driving broader market movements, the consumer electronics market is shrinking and accordingly the sales in the audio segment have declined. However, the sales in musical instrument have been maintained and are slightly better compared to previous year.

The Company has secured a new contract manufacturing customer. The production of the new business has commenced this year. This is expected to increase sales in 2026, with further growth anticipated in 2027. Due to confidentiality obligations, the Company was unable to disclose the identity of the customer.

Q2. The current Board comprises three Independent Directors and one Executive Director. The Company may consider redesignating one of the Independent Directors as the Chairman of the Board.

A2. The Chairman thanked the shareholder for the suggestion.

Q3. Does the Company have sufficient manufacturing capacity to support additional contract manufacturing customers, or will it needs to expand its manufacturing facilities to accommodate future growth?

A3. The Chairman responded that the Company's manufacturing capacity is flexible and can be adjusted to meet customer requirements, including increasing production through additional work shifts. He added that the Company still has available capacity at its factory to support future business growth.

Q4. Can the Company pass on raw material cost increases arising from geopolitical developments to its customers?

A4. The Chairman informed that the Company was generally able to pass on increases in the prices of certain raw materials, such as resin and wood, to its customers.

Q5. What is the Company's strategy for managing its cash reserves following the dividend distribution, and how does it intend to utilise these funds to generate better returns?

A5. The Chairman explained that the Company maintains a strong cash position to support its working capital requirements and to withstand business disruptions, particularly during periods of high inventory levels or shipment delays. Following the special dividend distribution, the Company remains in a strong financial position with sufficient liquidity for operational and strategic requirements.

Q6. What are the approximate interest rates earned on the Company's cash investments denominated in Ringgit and U.S. dollar?

A6. The Chairman informed that the Company earned interest of approximately 3% on both its Ringgit and U.S. dollar cash investments, with U.S. dollar deposits generating a slightly higher return than Ringgit deposits, depending on the tenure of deposits.

Q7. Does the Company intend to invest in solar energy to reduce electricity costs?

A7. The Chairman informed that the Company had previously conducted feasibility study of installing solar panels. However, the However, due to structural limitations of the factory buildings, the proposal was deemed unsuitable. The Chairman nevertheless thanked the shareholder for the suggestion.

Q8. Referring to page 49 of the Annual Report 2025, noted there are two Employee Share Option Scheme (ESOS) grants. When is the expiry date of these ESOS?

A8. Mr Chong Lien Kiueng, the General Manager for Finance and Accounts clarified that both ESOS would expire this year.

Q9. Referring to page 81 of the Annual Report 2025, there are significant fluctuations in certain items which are not easily understood. For example, other expenses increased from RM15 million to RM33 million. Could the Company explain the reasons for this significant increase, as well as the increase in administrative expenses?

A9. The Chairman explained that the fluctuations in other income and other expenses were mainly due to foreign exchange fluctuations.

Q10. What were the reasons for the significant decrease in directors' remuneration from RM3 million to RM1.8 million?

A10. Mr Wayne explained that the reduction in directors' remuneration was due to a smaller board size following changes in the composition of the Board.

Q11. With regard to employee benefits, it is noted that the remuneration of Executive Directors has decreased, while the cost of senior management has increased. Overall, employee benefits have declined. Could the Company explain the reasons for these movements?

A11. The General Manager for Finance and Accounts explained that the movement was partially due to share options granted to employees.

The Chairman added that if appropriate, the detailed financial questions could be discussed further with the Finance Manager after the meeting.

Q12. It is noted that the Company is not very active in investor relations, and that its investor relations function is not as strong as it should be. Should the Company improve its investor relations efforts, and consider establishing a more structured investor relations function to better engage with analysts and investors and improve market perception?

A12. The Chairman agreed that the Company's investor relations efforts were currently not strong, which may have contributed to the low share price. The Chairman acknowledged the suggestion to enhance investor relations activities and improve engagement with analysts and investors in order to better reflect the Company's value.

2. Mr Lee Hoe Choon, a shareholder, enquired on the following:-

Q1. Did the Management prepare any briefing or presentation on the Company's current situation and future outlook?

A1. The Chairman replied that a shareholder had raised the same question at the previous AGM. The Company had considered the matter and discussed it with its customers. As the Company has entered into Non-Disclosure Agreements with all its customers, who did not agree to the disclosure of such information, the Management is unable to provide a presentation on the Company current situation. The Chairman added that he would provide a briefing on the Company's prospects and outlook during the Q&A session.

Q2. Referring to the Company's response to MSWG questions, the decline in the Company's sales and revenue was not due to the withdrawal from Wistron, as Wistron only supplied cheaper raw materials. Kindly explain why the Company's revenue and profit declined significantly following Wistron's withdrawal, and whether the decline was mainly due to the shrinking consumer electronics market.

A2. The Chairman emphasised again that Wistron's withdrawal did not affect the Company's operations or performance. The decline in revenue and profit was mainly due to the end of the product life cycle of one of the Company's major customers, which is restructuring its production, product lines, and business strategy over the past two years, which resulted in reduced sales.

Q3. Whether the Company is seeking to bring in a new strategic shareholder or business partner following Wistron's exit as a major shareholder?

A3. The Chairman responded that while bringing in a new strategic partner remains a possibility, the Company is not actively negotiating with any party at present.

Q4. What are the Company's plans regarding its cash reserves and whether the Company intends to increase the dividends, pursue acquisitions, expand operations, or establish overseas factories?

A4. The Chairman responded that the Company's cash flow remains healthy and sufficient to support its expansion and business operations. The Company currently has no plans to establish additional manufacturing locations, as it prefers to centralise operations in Malaysia for greater cost efficiency. However, the Company remains open to pursue expansion opportunities where appropriate, particularly in collaboration with customers.

Q5. The statements on page 5 of the Annual Report 2025 stated that "the market outlook remains bright and full of opportunity" and "we remain confident in our strategic direction", What is the Company's strategic direction, does it refer to contract manufacturing or the new production in Malaysia, which the Company mentioned has not been undertaken before? Is the Company also pursuing AI-related initiatives?

A5. The Chairman explained that contract manufacturing opportunities have a broad scope and are not restricted to a single customer or product category. He clarified that the Company is involved in AI-powered products rather than AI infrastructure-related activities.

Q6. The Company has several inactive subsidiaries. How long have these subsidiaries been inactive, and what is the purpose of maintaining subsidiaries that have been inactive?

A6. The Chairman responded that the Company has been closing inactive subsidiaries as part of its effort to streamline the organisational structure and improve efficiency.

3. Mr Kwang Qi Cai, a proxy, sought further clarification on the Chairman's earlier statement that the audio business market and market share were shrinking, whether it was due to the competitors expanding into the audio market.

The Chairman explained that there were many competitors in the market and that customers had been relocating production to different manufacturing locations. While the Company had previously explored investment opportunities in Vietnam, it had chosen not to invest there, and had divested its China operations. While the Company would consider expansion opportunities where appropriate, it prioritises profitability and cost efficiency over scale. The Chairman acknowledged that the Company had lost some market share and that the overall market was shrinking.

4. Mr Tan Ching Yuew, a proxy, raised the following questions:-

Q1. What are the Company's competitive advantages in developing new product lines outside its core audio and musical instrument businesses?

A1. The Chairman replied that the Company possesses core technologies and manufactures many of its key product components in-house. He added that the Company has strong capabilities in mass production and manufacturing, is cost-effective in its operations, and believes that the quality of its products is of a high standard.

Q2. Are you able to give some information related to the Company's new manufacturing activities. My understanding is that the Company is not involved in Printed Circuit Board (PCB).

A2. The Chairman replied that the Company does not intend to venture into PCB assembly, as the manufacturing cost is high. Instead, the Company works closely with its customers to determine the appropriate scope of work and focuses on contract manufacturing. The Chairman added that he preferred to describe the Company's business as contract manufacturing rather than electronic manufacturing services (EMS). The customers assign the components to the Company, and the Company manufactures them in a cost-effective manner.

Q3. Please elaborate the statement that “customers consolidated suppliers and forged strategic alliances” as stated on page 4 of the Annual Report 2025. Would the consolidation of suppliers by customers be beneficial to the Company?

A3. The Chairman explained that the impact was not necessarily positive and depended on customer requirements and production relocation decisions. The Company loses some business when customers prefer suppliers with operations in other countries However, the Company may benefit if customers relocating their production to Malaysia.

Q4. The Company previously held a substantial amount of funds in U.S. dollar denominated money market funds. Has the Company converted its U.S. dollar cash holdings into Ringgit Malaysia following the recent dividend payments, or are the funds still maintained in U.S. dollar?

A4. The Chairman responded that the Company’s sales are primarily denominated in U.S. dollar. Accordingly, the Company continues to maintain a significant U.S. dollar position while converting its U.S. dollar holdings into Ringgit Malaysia at appropriate times. The Company undertakes a certain degree of hedging but does not engage in extensive hedging activities. The Chairman was of the view that U.S. dollar will continue to be the dominant currency for international trade. As it is difficult to predict whether Ringgit Malaysia will strengthen or weaken, the Company will continue to maintain a portion of its funds in U.S. dollars.

Q5. Given the recent strengthening of the Ringgit Malaysia, is the Company able to increase its prices and pass the exchange rate impact on to its customers?

A5. The Chairman replied that the Company’s pricing is primarily determined by market competitiveness rather than a strict cost-plus basis. While the Company would pass on additional costs where commercially possible, this ultimately depends on market conditions and customer negotiations.

5. Mr Punit Khanna, a proxy, enquired on the following:-

Q1. Does the Company expect margins in the contract manufacturing services (CMS) business to be similar to or better than current margins?

A1. The Chairman responded that the component business generally carries better margins than contract manufacturing services. The Company will endeavour to maintain its overall margin level. The Company will continue to negotiate with customers to increase localisation, so that the Company is not only engaged in contract manufacturing but also in component production. This will be implemented progressively in stages.

Q2. In the CMS business, as there may be more than one customer, do you expect to achieve economies of scale as the Company secures additional customers for new or other products? In this regard, do you expect margins to improve? It is noted that, based on last year's figures, employee costs did not decline in proportion to the decrease in revenue. Accordingly, is the Company expecting revenue to increase, and do you anticipate that margins will improve as additional customers are secured, allowing fixed costs to be better absorbed and profitability to improve?

A2. The Chairman replied that the Company's financial performance over the past few years was difficult to be interpreted in isolation. There were two essential factors contributing to the overall margin performance of the Company i.e. the decline in sales was mainly due to one of the Company's major customers, whose products were reaching the end of their lifecycle and who was also undertaking production relocation. While the underlying profit margin was not strong, foreign exchange movements had a significant impact. In the earlier stage, the depreciation of the Ringgit Malaysia had masked margin pressure. However, the subsequent depreciation of the Ringgit Malaysia adversely affected results. Excluding the impact of foreign exchange, the underlying operating margin would have remained relatively stable.

Q3. Capital Expenditure (CAPEX) is increasing and expected to be funded through internal generated fund. Does the Company actually need to incur significant or substantial CAPEX?

A3. The Chairman responded that CAPEX would depend on customer requirements, as investments in equipment and manufacturing facilities would be made based on specific customer needs. The Company possesses sufficient cash reserves to fund future investments as needed.

Q4. Was the increase in inventory and receivables in the previous year's working capital abnormal, or has it since returned to normal levels?

A4. The Chairman explained that the Company's financial position remained stable, with customers paying and suppliers being paid on time. There were no abnormal situations in the Company's working capital management, and the balance sheet remained solid.

6. Encik Norhisam bin Sidek, a representative from MSWG, raised the following questions:-

Q1. In the previous year, the Company responded that it faced challenges in identifying suitable candidates with the relevant technical skills and experience to understand its business. Given the current situation of the Company, including customer relocation and ongoing business rationalization followed by potential expansion, does the Company consider that it has become more difficult to identify and appoint a suitable candidate to serve as Board Chairman?

A1. The Chairman informed that the position had remained vacant for some time due to the original arrangement with Wistron for the latter to nominate a candidate. As no nomination was made, the position was left unfilled. Following Wistron's disposal of shares, the Company is now re-considering the matter.

Q2. What did the Company lose following Wistron's withdrawal as a substantial shareholder, and what opportunities does the Company now see arising from this change?

A2. The Chairman explained that Wistron's divestment was their commercial decision. The Company had expected Wistron to contribute and commit certain initiatives, however, these did not materialise. The Company is still in the process of evaluating and considering its next steps and future direction.

Q3. With reference to Mr Chee Sai Mun's earlier questions regarding the recent commencement of contract manufacturing, when does the Company expect performance to start improving in 2026?

A3. The Chairman informed that the contract manufacturing business would start contributing this year. However, the shipments had been disrupted due to geopolitical tensions, resulting in inventory build-up that could not be shipped out in the first quarter. As a result, performance improvement was not expected in the first quarter, but some improvement may be expected from the second quarter onwards.

Q4. Referring to the earlier discussion on AI infrastructure, could the Company elaborate on whether there are any opportunities, based on its strengths, to participate in this business segment?

A4. The Chairman replied that, in his view, it is currently difficult to enter onto this specialised field, which requires substantial technological know-how and barriers to entry are high.

Q5. How long will it take for the Company and its business to stabilise, rationalise operations, and expand to the desired position, given ongoing customer relocations and industry adjustments?

A5. The Chairman stated that the Company would act when opportunities arise and would seize them when available.

Q6. We hope the Board will take note of the Chairman's position for further consideration. Given the current situation, the Company may also consider appointing additional directors with relevant specific experience to support the Board.

A6. The Company took note of the comment on the vacancy of Chairman and the suggestion to appoint additional directors with the right skills to support the Board.

7. Ms Beh Siang Yin, a shareholder, enquired on the following:-

Q1. In your previous statement, you mentioned that the Company did not follow a customer in relocating to Vietnam due to profit margins not meeting its requirements. Could the Company share whether it has a minimum internal rate of return (IRR) threshold for such investment decisions?

A1. The Chairman responded that the Company did not rely on a fixed minimum IRR when evaluating investments. Instead, each opportunity was assessed based on the overall project, including the scale of investment, the ability to generate sufficient business to cover both direct and indirect operating costs, and its overall profitability. The Company would consider any viable investment opportunity.

Q2. As the Company did not proceed with the relocation because the requirements were not met, what are the Company's specific requirements for such decisions?

A2. Mr Leong explained that the Company does not adopt any fixed minimum IRR to assess investments. As opposed to concession business with long term returns, for a manufacturer, the determinant factors for an investment are customer criteria and cost considerations. The relocation proposal was not feasible under such determinant factors.

Q3. Does the Company continue to maintain a business relationship with Wistron after it ceased to be a strategic partner?

A3. The Chairman informed that the Company continues to maintain a good relationship with Wistron and that the parties remained on good terms.

Q4. The Company stated that its musical instrument segment division is relatively stable and that it will pursue opportunities where available. In this regard, is an expansion in the musical instrument segment more limited, given its relatively stability, and that significant expansion in this segment may be more challenging?

A4. The Chairman replied that, in the current situation, the market is relatively stable, not only for the Company's customers but for the industry as a whole. Each player has its own established supply chain. At present, the Company has not actively pursuing new customers. However, it is gradually expanding its product line within the musical instrument segment.

Q5. Kindly share with us the percentage proportion for the revenue or profits contribution from different business segments.

A5. The Chairman informed that the revenue contribution continued to change. It was approximately 40% from the audio segment, 40% from the musical instrument segment, and 20% from the contract manufacturing segment. He emphasized that this would be subject to changes.

8. Mr Tan Lee Kuan, a shareholder, enquired that, with approximately five months having lapsed in the current year, is the Management able to provide any forecast on the return on equity (ROE).

   The Chairman stated that sales were broadly stable over the last five months, with a slight improvement.

AGENDA 7 – PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

1. Mr Lee Hoe Choon enquired whether the Company have any specific criteria for undertaking share repurchases, such as pricing levels, thresholds, or other ratios. What factors are considered in determining whether to execute a share buyback?

   The Chairman responded that the Company's intrinsic value should be higher than its current share price. In terms of net tangible assets (NTA), even after the distribution of a special dividend, the NTA remains at approximately RM1.15 to RM1.18. At any time when the share price is below the NTA, the Company will consider share buyback.

2. Mr Chee Sai Mun enquired whether the Company has any share buyback committee to decide when to repurchase the Company's shares. How was the structure of the share buyback committee?

   The Chairman replied that the Management team would discuss prior to the share buyback and he would make the final decisions.