MCE HOLDINGS BERHAD

(Company No 1158341-K)

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 3RD ANNUAL GENERAL MEETING ("ÄGM") OF MCE HOLDINGS BERHAD DULY CONVENED AND HELD AT THE HOP SING II HALL, PONDEROSA GOLF & COUNTRY CLUB, NO. 3, JALAN PONDEROSA 1, TAMAN PONDEROSA, 81100 JOHOR BAHRU, JOHOR MALAYSIA ON 27 DECEMBER 2018 AT 9.30 A.M.

The following key matters were transacted:

I. ITEM 1 OF THE AGENDA - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

1. PRESENTATION BY GROUP MANAGING DIRECTOR

The Group Managing Director ("GMD") briefed the shareholders on the history in respect of the Group's business and explanation on the manufacturing process flow of the Group's product so that shareholders can appreciate and understand the various aspects of the Group's business.

2. EMAIL RECEIVED FROM A SHAREHOLDER

The Chairman informed the Meeting that the Company had received an email from a shareholder raising questions and queries to be brought up during the AGM and invited the Group Executive Director to respond to the questions raised by the shareholder as follows:-

1) Finance Cost - To External Auditor

- Borrowing: FY2017 @ RM 2,312,535 Vs FY2018 @ RM 1,003,395
- Finance Cost: FY2017 @ RM 274,185 Vs FY2018 @ RM 292,475
- Finance Cost Not Reduce accordingly but Increase Drastically @ Incurred Unbelievable Effective Rate @ ~ 20% per annum !
- What is the reason behind the "Increase of Finance Cost" on the back of "Decline Borrowings"?

Board / Management's response :

The increase of finance cost was due to factoring of Proton's invoices to Exim Bank (using Proton's trade line). The use of this factoring facility was initiated by Proton and our Management deemed it appropriate at the time to reduce the Group's credit exposure. However, we have ceased using Proton's trade line since Oct'18 when Proton's sales and financial performance improved.

2) Capacity Utilization Rate

- What's the status of company Capacity Utilization Rate to date?

Board response :

The details of capacity utilization if disclosed will not be in the interest of the Company when weighed against the benefit of disclosure to shareholders in the interest of transparency.

Everyone knows that all parts Vendors for Proton and Perodua are highly dependent on the two car manufacturers. But the exact contribution from each car manufacturer is not publicly known and at best is a mere guess estimation. For the Company to disclose this information will be to confirm and allow the car manufacturer and our competitors to have such information which is not in our Group's interest.

3) Business Dependency

- How serious Dependency of the company to Major Customers?
- Would the Board please Provide the Breakdown of Customers Base, total have how many customers to date?
- Proton ?? %, Perodua ?? %, Honda ?? %, Geely ?? %, Daihatsu ?? %, Toyota ?? %

Board response :

The details of business dependency if disclosed will not be in the interest of the Company when weighed against the benefit of disclosure to shareholders in the interest of transparency.

Everyone knows that all parts Vendors for Proton and Perodua are highly dependent on the two car manufacturers. But the exact contribution from each car manufacturer is not publicly known and at best is a mere guess estimation. For the Company to disclose this information will be to confirm and allow the car manufacturer and our competitors to have such information which is not in our Group's interest.

4) Company Production Technology Capability

- After ~ 20 years in Manufacturing of Window Regulators Business, shall our company equipped with the Adequate Technology Knowledge?
- What are the plans in place to improve the RnD aspect of the Company apart from entering MoU and JV with technology partner?

Board response :

MCE has over the years acquired, develop and improved its in-house technology, knowledge and capabilities. This is evidenced by our ability to continue developing, maintaining and supplying auto parts products to our customers. The technology required by car manufacturers is constantly evolving and the requirement to keep up and meet the demands of its customers is an ongoing process.

The TAA and MOU arrangements will allow us to cut short the learning curve as well as allow us to penetrate into Geely's products easier and with lower investment cost.

5) Suzhou Prachtig Electronic Material Co Ltd

- Why can't find this company when searching from Google?
- What's the Expertise of this company?
- As compare to Shanghai SIIC Transportation Electric Company?
- What's the company expect the Fruit from collaboration with these 2 companies?

Board response :

Suzhou Prachtig Electronic Material Co Ltd our JV partner is experience in tool fabrication, plastic injection moulding and other plastic secondary processes.

There are a lot of plastic parts in a car and there will be a market for plastic products. Hence, management is trying to broaden the existing product range by entering into plastic related products and also to enhance our existing supply chain by manufacturing the upstream parts in house.

The rationale for entering into the respective relationship with Suzhou Prachtig and Shanghai SIIC Transportation (STEC) has already been disclosed in the respective announcement made by the Company.

The JV will enable the MCE Group to participate in the localization of automotive plastic parts and value added processes in order to develop, produce, market and supply the Products in Malaysia and ASEAN and to further extend the collaboration to other electronic and mechatronic parts.

Working in collaboration with STEC, MCE would have the right and license in the Territory to use the STEC technology for the development, manufacturing, production, sale, marketing and/or distribution of certain products.

STEC is engaged in design, manufacture and sales of automotive component in China and, as a result of such, has acquired certain skills, techniques, and manufacturing information relating to the products as stated in the TAA as well as to assist MCE in the establishment and upgrading of its manufacturing facility under the conditions described in the TAA.

6) Business Environment

- Is it the more company produce the parts, the more company will incur losses?

Board response :

The GMD had briefed shareholders in his presentation on the design, development, manufacture and supply process earlier.

Currently, most of the new projects the Group secured were at the design and development stage which incurred a lot of design cost. It will bear fruit when the Group starts to supply the parts to customers.

7) Venturing into Hospital Business

- Day After Day, Year After Year, pls explain clearly the Actual Constructive Roadmap and Milestone
- Have the Board made a Wrong Decision on Venturing into Hospitality Business?
- RM 30 Millions if keep in Bank as FD @ 4.3%, yearly Interest received will be RM 1,29 Million = Yearly EPS 3 Cents
- The opportunity cost for the company for this piece of land is about RM 5.2 Millions lost of Interest Income for the pass 4 Years !

Board response :

The Group had assessed the financing for the hospital business. Currently there are a lot of changes and opportunities in automotive as such the Group have allocate their resources to automotive line.

8) Clinic Business - Qualitas Medical Group

- If really wanna to venture into Healthcare Business, why not consider to venture into Clinic Business like Qualitas?
- Let's Venture the Clinic Business till "Growing Like Mushroom"

Board response :

The proposal was noted but clinic business is not in line with our propose business model for hospital business.

9) Forecast Performance

- What's the Forecast Performance for FY 2019 & FY 2020?

Board response :

The Company is currently not carrying out any corporate exercises which requires the provision of profit forecast.

The Board is confident that with the strategies and measures put in place, and management's preparedness to knuckle down, the MCE Group's prospects going forward for financial year 2019 barring any unforeseen circumstances should be brighter in the long term.

10) Minority Shareholders Welfare - Return on Investment

- We are the Serious Investors
- What have the company done for the Minority Shareholders Welfare?
- The Company Management has Let Down the Minority Shareholders again year after year !
- Pls Declare Dividend (Extremely Essential) and do Consider to "Issue Free Warrants" in order to Reward Loyalty Shareholders

Board response :

The comments have been noted and the Board is fully aware of what stakeholders would want and will consider your proposals accordingly.

The written questions and queries raised by the shareholder via email had been address accordingly.

The following question and answer session then took place following questions raised by other shareholders:

i. The future business plan after entered the Technical Assistance Agreement ("TAA") with Shanghai SIIC Transportation Electric Co., Ltd. ("STEC") and Joint Venture cum Shareholders Agreement ("JVSA") with Suzhou Prachtig Electronic Material Co., Ltd ("Suzhou") and whether to export the Company's product to China's market

The GMD explained that the TAA entered with STEC was initiated by Zhejiang Geely Holdings Group Co. Ltd. ("Geely"). STEC was known as a major supplier to Geely for wide range of products and focusing on main core product which is power window. STEC is one of the biggest supplier for power window in China. Working in collaboration with STEC would assist the Company to penetrate to power window product and it would cut short process for the research on technology, requirement, time to market and lead time.

The Company expects to build up a long term relationship with STEC and expects to have more opportunity to sustain business from Geely as well as to optimize the Company's product.

As for JVSA, Suzhou's main business was focusing on plastic injection molding, tool fabrication, other plastic secondary processes and spray paint which are not core competencies of the Group. With the JVSA, the Group will be able to cut short the learning curve and strengthen competitive advantage of the Group. The Group will be expected to enjoy the benefit on reduction of cost

The Group would focus on the local market and Southeast Asia's market for the time being as the China market is very competitive. The Group is targeting itself to be the benchmark or first choice for automotive industry in local market.

ii. The initial plan Memorandum of Understanding ("MOU") with Sandhar Technologies Ltd. ("Sandhar") and PT Garuda Multi Investama ("GMI") and reason of termination for the both MOU.

The MOU with both Sandhar and GMI were initially expected to focus on the development, production, marketing and supply of MCE's existing range of products for automobile manufacturers located in both India and Indonesia and Sandhar and GMI were the local partner in their respective market to assist on promoting the Company's product.

In view that the progress has not been up to Management's expectations for both MOU since the date of entry into MOU, hence both Sandhar and GMI had mutually agreed to terminate the MOU accordingly.

iii. Acquisition and/or increase of Plant, property and equipment ("PPE") and future plan for business expansion

The increase of PPE has mainly been due to investment in tooling equipment and test lab. The tooling equipment is important for manufacturing once the project secured. As for the test activities, it would be a major cost component for automotive industry which is expected to be more costly in future.

Hence, the Group had invested in test lab for those secured project within the budget and forecast project. The Group plan to continuously invest in test lab instead of outsource to outsider which will incur higher cost. The Group planned to invest in the test component once the project confirmed.

The cost of investment in equipment and test lab is embedded in the Group cost structure. Currently, the Group was still maintaining positive cash flow and expected the investment in test lab will reduce the operational cost in the long term.

iv. Initial plan and update of Proposed hospital / medical centre business

The GMD explained that the initial plan on the proposed hospital / medical centre business is the development of a community care based hospital with small bed size of 80 beds targeted at the range of middle upper level. The initial plan was to diversify the business operation during the downtime of the automotive industry and expectations that the business operation in automotive might be not sustainable.

However, the business environment had changed after Geely overseen the Management of Proton. The automotive industry had presented more possibilities and opportunities. Even though there was substantial investment locked on the Setia Alam land, the Company current business plan and strategy is to focus and pay attention on automotive business to capitalise on the opportunities available instead of re-directing resources.

v. Target for cost reduction

The Group is in supply chain and had work closely with supplier for them to reduce cost and price and to ensure operating efficiency. In addition, the Group also work closely with customer's engineering team to redesign the same product with same function but at lower cost.

Internally, the Group also looks into operating efficiency by ensuring higher productivity from worker to produce quality product which would reduce the rejection rate, warranty cost and quality cost.

vi. Market research and benchmark for Global and local competition
Will China parts suppliers come into the local market

The automotive market competition is globally ie. with China, Japan and etc. As in all business, there is possibilities that the China competitors may penetrate to Malaysia however there would be some challenges that they might face. Firstly, the National Automotive Policy require certain parts of the car to be manufacture locally hence it will provide advantages for the Company to compete in local and international market.

Secondly, China's car is left hand drive hence to penetrate the Malaysia's market there would be a requirement to re-design in order to meet the requirement which would incur higher cost couple with small volume compare to China's market.

In view of the above challenges, the Group has competitive advantage in the local market.

vii. How is the interest of shareholder and management in regards to Remuneration of Management

The Chairman invited the Chairman of Nomination and Remuneration Committee ("NRC") to address the question:

The Chairman of NRC explained that the Group had review and assess the performance of GMD who playing an important role in the Group such as production, marketing, management and etc and was of the opinion that the remuneration recommended was aligned with his performance.

The Chairman of the meeting added that throughout the year automotive industry had facing serious problem and the resignation of senior management had increased and broadened the responsibilities of GMD. Hence, the remuneration was paid in order to reward and retain management even though the Company currently is making losses.

II. UNDER AGENDA 8 - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016

Mr Ng a shareholder stated that this Agenda to seek to allot and issue shares has not been tabled by the Company in previous AGMs. Based on the 10% limit and current market price this will only allow the Company to raise a measly RM3 million sum. He opined that based on current market circumstances, it would not be appropriate for the Company to undertake any placements as the amounts raised will be meagre and it would dilute the existing shareholders' interest, but if it was the intention of the Board to undertake any placements, he requested that he be considered for such placement and that he was prepared to take up whole 10%. He requested the Board to re-consider and ensure that any funds raised under this authority is only exercised in the best interest of the shareholders.

The Group Executive Director explained that the authority is to provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company for any fund raising activities, including but not limited to the placing of shares, for working capital, funding future investments and/or funding of strategic development of the Group.

The Board noted the shareholder’s comment and his request for proper utilization of this authority in the best interest of the shareholders.