

MCE HOLDINGS BERHAD

Registration No. 201501033021 (1158341-K)

(Incorporated In Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 6TH ANNUAL GENERAL MEETING (“AGM”) OF MCE HOLDINGS BERHAD DULY CONVENED AND CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT PT 119984 (LOT 68745) CANANG EMAS 7, OFF JALAN TELOK GONG, 42000 PELABUHAN KLANG, SELANGOR ON WEDNESDAY, THE 22ND DAY OF DECEMBER, 2021 AT 9.30 AM

The following key matters were transacted:

A. UNDER AGENDA 1 - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

BRIEFING BY GROUP MANAGING DIRECTOR

The Group Managing Director (“GMD”) briefed the shareholders during the 6th AGM as follows:

1. Instead of the usual briefing on the performance of our Group in the previous financial year, our Board has deemed it more appropriate and informative for shareholders that we share with you and highlight to you the strategies and thought process that your Board has taken into consideration in the oversight of the Group’s business so far.
2. We would also like to share the plans and strategies that your Board will be focusing on to transform and grow MCE’s business over the next 3 to 5 years to ensure that our core operations in the design, manufacture and supply of automotive electronic and mechatronic parts remains relevant and sustainable.
3. Our business of design, manufacture and supply of automotive electronics and mechatronic parts will continue to remain one of our core business.
4. We had registered 3 continuous quarter of PAT amounting to appx RM 3 mil and MCE would have been profitable for FY 2021. Unfortunately FMCO 3.0 which included a total nationwide lockdown was implemented during the 4th quarter and continued into 1st quarter of FY 2022. The entire automotive industry in Malaysia including MCE had to shut down operations from June 2021 to August 2021. We only managed to register RM6 mil revenue for the 4th quarter and that was mainly the business we made in May prior to the FMCO.
5. Moving into FY 2022, we are delighted and encouraged to note that our major customers, namely Perodua and Proton, continue to gain sales momentum after the FMCO and the new models launched continue to receive good response from the public. We expect the TIV to further recover from the pandemic and expect our customers will continue to launch new models that are appealing to the market, while the existing models are maintaining its popularity via aggressive promotion and marketing campaign.
6. We are pleased to report that we have achieved a new milestone, when Perodua’s latest new MyVi model was launched in November 2021, which featured MCE’s lamp product Day Time Running Light (DRL). This is the first Perodua model with such a feature and also the first DRL that is designed and produced by a Malaysian company. We are confident that our capabilities will be recognised and hopefully moving forward will translate into securing new contracts in the future.

7. Besides our existing electronic and mechatronic products, ie. Sensors, switches, camera, alarm, power windows, LED lamps are a new addition to our product family. We will continue to grow this product and we expect to be a major force in interior and exterior lamp for the local and regional markets in future.
8. The automotive industry is seeing a major shift in terms of technology-driven trends. It is now moving towards connected mobility, autonomous driving and vehicle electrification and it is only appropriate that we continue to step up and expand our product range to cater for the upcoming changes taking place. As MCE is already an electronic system and component supplier, it is a natural progression for us to step up our research, development and innovation to face the technological challenges ahead.
9. Your Board had adopted a two pronged strategy to face the challenges ahead. First is to ensure that we remain relevant as a key preferred electronic system and component supplier, by leveraging on our knowledge in sensor, camera and the hardware and software design for the electronics. We intend to develop and widen up its application into advanced driver assistance system technologies (ADAS) by using our sensor and camera technical know-how. To achieve such plan and to expedite the design and development process, we will also work with our oversea technical partners, to develop surround view monitoring camera, , blind stop detection, long range sensor, radar system, and other technological products that are needed in ADAS.
10. In order to pursue and stay competitive in the future automotive landscape, we are also teaming up with an infotainment company, to plan to supply in-vehicle infotainment and smart cockpit system that has the connectivity feature, to carry out connected mobility function.
11. The second strategy is to venture into the green energy segment by becoming an electric vehicle maker. In this respect, we are partnering with BDKA via a joint venture collaboration, to participate in the designing, development, manufacturing and distribution of electric motorcycles, as well as the charging station. There is already models lined-up that suit our market that are already developed and others under development now. These models are not just appealing in appearance, but also feature advanced technologies. These electric motorcycles are equipped with state-of-the-art lithium battery system, high performance electric motor, and full LED lamps. It will also have internet-of-vehicle (IOV) technology that allows the vehicle to stay connected to the owner via handphone apps.
12. With MCE being involved in producing these motorcycles in Malaysia, this will also pave the way for MCE to venture into the design and manufacturing of electric vehicle components. Our immediate plan and strategies will be to localise the production and manufacture of core electronic components like battery pack, digital meter cluster, LED lamps and electric motor.
13. Our Board believes that with our plan and strategies adopted together with proper execution, MCE will be set on the right path to transform from traditional auto parts maker into a green energy system provider by having the ability to design and manufacture electric vehicle, as well as the related components that form part of the vehicle. In the near future, we aim to be a platform in providing green technology to auto and non-auto industries. We welcome players in this field to reach us for any form of collaboration.

B. UNDER AGENDA 1 - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

• **Questions raised by Minority Shareholder Watch Group**

During the AGM, the Chairman informed the shareholders present that the Company had received a letter dated 15 December 2021 from the Minority Shareholder Watch Group (“MSWG”) and a shareholder.

The Chairman requested the Group Executive Director cum Chief Financial Officer to present the questions/queries raised by MSWG and the shareholder together with the Board and management’s response for the benefit of shareholders present at the AGM as follows:

Operational & Financial Matters

1. The business operations of the Group and its customers for a major part of the final financial quarter ended 31 July 2021 (i.e. 1 June 2021 to 31 July 2021) were severely disrupted by the Full Movement Control Order (“FMCO”) enforced by the Malaysian Government to address the Covid-19 pandemic. (page 42 of Annual Report 2021 (“AR2021”)).

a) What was the average utilisation rate for the Group’s two (2) plants, for FY2021 and to-date?

Reply:

This is not the first time that MSWG is asking about the Company’s plant utilisation rate. MSWG and shareholders had also asked about our Company’s capacity utilization during the 2018 and 2019 Annual General Meeting.

We wish to stress here again that our business is not similar to other manufacturing business like eg. Rubber gloves manufacturing or beer manufacturers whose customers are the mass market.

We are sure all shareholders will know who our main customers are and if the details of our capacity utilization if disclosed will not be in the interest of our Company when weighted 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.

Both our plants have a very different nature of manufacturing activities, facilities and utilization rate but we do have capacity to undertaken more production jobs if necessary, but we will not disclose to exact utilisation rates.

b) To-date, how is the business segment for automotive parts performing?

Reply:

I believe that our Group Managing Director has touched on this during his earlier briefing.

We are delighted and encouraged to note that our major customers, namely Perodua and Proton, continue to gain sales momentum after the FMCO and the new models launched continue to receive good response from the public. We expect the TIV to further recover from the pandemic and expect our customers will continue to launch new models that are appealing to the market, while the existing models are maintaining its popularity via aggressive promotion and marketing campaign.

We note that from October onwards, that there has been increase in sale momentum for our OEM customers possibly due to sales tax exemption, year end sales promotion and pent up demand from buyers who put off buying during the months that the country was under full lockdown

2. The entry into e-bike segment through the joint-venture signed on 12 October 2021 will pave the way for MCE Group to venture into the assembly, including the manufacture of core components e.g. battery pack, internet of vehicles and charging stations which will provide the Group with a new stream of revenue from an industry segment which is expected to have huge potential as it is considered to still be in its infancy stage. (page 39 of AR2021)

- (a) Does the Group's current manufacturing plants have the capacity to cater for the manufacturing of components for the e-bike segment? Or will expansion be required for the new joint venture?**
- (b) What is the estimated capital expenditure to be incurred by the Group to bring onstream the manufacturing for the e-bike segment?**
- (c) To what extent does the Group expect the e-bike segment to contribute to the Group's earnings?**

Reply:

Ladies and Gentleman, We have also elaborated on this potential new venture into the e-bike segment earlier.

As stated we have entered into a joint-venture agreement with Chongqing Beidou Jiean Neo-Energy Technology Ltd on 12 October 2021 to undertake the project.

A joint-venture company under the name of Gem Technologies Sdn. Bhd. has been set up.

Our Management and Chongqing Beidou Jiean Neo-Energy Technology Ltd are now currently actively working on and ironing out the finer details on the joint-venture.

Our Group's plants currently will have the capacity to cater for the manufacture of certain parts and components but we will be looking into any expansion and if necessary setting up or constructing a new plant if deemed necessary.

We are still looking into all viable options and are still mapping out the strategies and planning together with our joint-venture partners and it is still too preliminary to disclose any further details at this juncture.

3. **The Group is installing solar system at its Telok Gong premises roof to increase its energy efficiency. The installation is expected to complete by end of 2021. (page 33 of AR2021)**

- (a) **What is the estimated cost for installing the solar system? To what extent will it increase the energy efficiency of the Telok Gong manufacturing plant? What is the status of installation?**

Reply:

The cost for installing the solar system at our Telok Gong premises is approximately RM1.4 million and has already been completed.

The installation of the solar system does not improve the energy efficiency of the plant but is for saving in energy consumption by using renewable energy. Based on estimates, the plant maybe able to save approximately 30% on its energy consumption cost which translates to about RM300,000 per year.

- (b) **Are there plans to install solar systems for the Group's manufacturing plant in Johor Bahru?**

Reply:

We do not have plans at this time to install any solar system at the Johor Plant. Our management will assess the performance and results of the system installed in Telok Gong over a period of time before making any decision for the Johor Bahru plant.

4. **Warranties claimed during the financial year increased to RM614,331 (FY2020: RM 217,670) (Note 23, page 89 of AR2021).**

What were the main reasons for the increase? To which products do these warranties relate to?

Reply:

In respect of this questions, We are sure that all shareholders will agree that if we furnish the reasons and the products that are involved it would not be in the Company's interest as it will open ourselves and put ourselves at a disadvantage to our competitors and potential customers. We therefore will have to decline providing the information requested for but rest assured that your Management have taken measures to mitigate the factors and reasons leading to such increase.

C. Question from a shareholder :

What is the Proposal of the Land at PT372252 Mukim Bukit Raja Empty Vacant Commercial Land since purchase on Nov 2013 ?

Reply

The Covid-19 pandemic hit Malaysia starting in March 2020 and since then, various MCO's have been implemented by the Government to address the pandemic. The MCO's have impacted on the economy and business and as everyone will be aware almost every industry sector has been impacted. It is only to what degree and whether the impact has been positive or negative.

Your Board's priority during this time has therefore been to focus on our core business in automotive parts business and to ensure the sustainability of our core business.

The dynamics and risk in respect of the development of the Bukit Raja land into a health care facility has also changed and the Board since the pandemic started has focused its attention and resources in our core business and the plans for the Bukit Raja land remains status quo with no progress or development to report on.

We will only look into the development of the Bukit Raja Land when the economic situation and the development risks turn positive and is in our interest.

D. Further questions raised during the AGM

The following questions were raised by the shareholders via Question and Answer Panel during the AGM:

Q1. Our company seems to be struggling and making little progress towards sustainable growth and profitability; in fact its shares are being diluted with private placements to the detriment of minority shareholders. What is the prospects and outlook for our company going forward, please elaborate?

Reply:

The earlier briefing by Group Managing Director has already addressed some of the questions raised. The strategies and plan of the Group mapped out and put in place in order to strengthen the business to ensure long term sustainability was elaborated during the briefing. The Company had also elaborated the business overview on page 44 and 45 of the Annual Report 2021.

The various memorandum of understanding and joint venture agreement entered into will expand the product range and broaden the Group's customer base.

As for the private placement exercises, the Board believes it is the most cost effective option available during this period to raise funds for working capital. The Group has been impacted by the Covid-19 pandemic and the various Movement Control Orders implemented by the Malaysian Government also disrupted the Group's operations and the whole automotive eco system. Hence, it was necessary to carry out the private placement exercises to raise funds to deal with the challenges.

Q2. What other new areas is our BOARD/company focusing on to capture new opportunities within its area of competence post pandemic?

Reply:

The earlier briefing by Group Managing Director had already addressed on the question raised. The Board has adopted a two pronged strategy to face the challenges ahead. First is to ensure that we remain relevant as a key preferred electronic system and component supplier, by leveraging on our knowledge in sensor, camera and the hardware and software design for the electronics and to develop and widen up its application into advanced driver assistance system technologies (ADAS) by using our sensor and camera technical know-how.

The second strategy is to venture into electric vehicle ie. four wheels or two wheels. The Company had found a good partner known as Chongqing Beidou Jiean Neo-Energy Technology Ltd, and intend to assemble electric motorbike in Malaysia and export to ASEAN market. In addition, the Company intends to identify and produce some of the parts for the electric motorbike.

Q3. Well done to the Board and the Management for the achievement in FY2021 despite the challenges caused by COVID-19 and subsequent MCO effects. For the various ventures undertaken by the Group as highlighted by Group Managing Director, what will be the respective capital expenditures ("Capex") expected for FY2022? Will the Capex be funded by internally generated fund or via share placement? With the advancement of technology, what is the general lifespan for the machine for the automotive industry?

Automotive industry refers to the specialised area that MCE is currently deriving its revenue from.

Reply:

The Group Managing Director thanked the shareholder for the compliment.

The Management had done the budget which included capital expenditure but it is not prudent at this time to disclose the amount of capital expenditure. The Management had reviewed its projections and capital expenditure required including the facilities needed in order to remain competitive. The Company will venture into electric motorbike, but it is still at the preliminary stage to study with its China partner and appropriate disclosure and announcement will be made in due course.

As for funding of the capital expenditure, the Management will study and identify whether will be funded from either internal generated fund, equity financing and/or bank facilities.

The Company is required to have basic and fundamental core machines to manufacture products ie. plastic moulding, spray painting facilities, Surface Mount Technology, various assembly line, quality control equipment, equipment for research and development and test lab. The Company will continue to utilise the facilities and equipment to design and produce competitive products.

Q4. Is our company affected by the recent unprecedented heavy rains and flooding; if so to what extent and level of insurance claimable? What about your key customers?

Reply:

The Group's operations have not been affected by the recent flooding although its workers have been affected to some degree.

We have not been informed by any of our customers on their business being affected.