

V.S. INDUSTRY BERHAD
Registration No. 198201008437 (88160 – P)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

PRESENT

Datuk Beh Kim Ling	Executive Chairman
Datuk Gan Sem Yam	Managing Director
Dato’ Gan Tiong Sia	Executive Director
Mr. Ng Yong Kang	Executive Director
Mr. Beh Chern Wei	Executive Director
Mr. Gan Pee Yong	Executive Director
Mr. Diong Tai Pew	Independent Non-Executive Director
Ms. Tan Pui Suang	Independent Non-Executive Director
Mr. Wong Cheer Feng	Independent Non-Executive Director
Dr. Lim Boh Soon	Independent Non-Executive Director
Mr. Wee Beng Chuan	Independent Non-Executive Director
Mr. Chong Chin Siong	Alternate Director to Mr. Beh Chern Wei
Ms. Santhi Saminathan	Company Secretary
Ms. Chiam Mei Ling	Company Secretary

PROXIES AND QUORUM

The Company has received 257 proxies totalling 2,436,147,633 shares representing 63.48% of the Company’s total number of shares issued and holders of 1,581,638,108 had appointed the Chairman of the Meeting to be their proxy. The Secretary confirmed that the requisite quorum was present.

QUESTIONS RECEIVED BY THE COMPANY

The Company received a letter from Minority Shareholders Watch Group (“MSWG”) dated 22 December 2022 and the Company’s written reply to the questions were presented and read out to the shareholders at the AGM.

Operational and Financial Matters

1. The Group’s new facilities at I-Park @ Senai Airport City, Senai, Johor were completed and have commenced production since August 2021. The Group has also relocated its headquarters to free up additional space at the previous facility for production purposes. (page 8 of AR 2022).

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

What is the Group’s total production capacity before and after the completion of the new facilities? What is the Group’s current average utilization rate??

Response

Our new facilities at I-Park boosted the built-up area for our Malaysia operations by 25% or 400,000 square feet (“sf.”). This brought our total built-up area for Malaysia to 2.1 million sf.

For FY2022, our utilization rate ranged between 60%-70% (including new facilities), and this gives us room for potential further growth.

2. Outside Malaysia, the Group’s operations in Indonesia continued to run at a fair pace while order flow remained steady there. Over in China, the operating conditions continue to be highly challenging. Underutilization of capacity is still an ongoing issue and hence, VS continues to pursue asset-light business model with streamlined operations. (page 11 of AR 2022).

What are the main challenges that caused underutilization of capacity In China? What measures are being taken to counter the challenges and remedy the situation? How long does the Management expect the challenging situation to continue? What is the outlook for FY 2023?

Response

The underutilization of capacity in China is mainly due to the ongoing trade war and keen competitive landscape which resulted in the absence of sizeable orders. In addition, the frequent Covid-19 lockdowns in the country affected consumer sentiments, and in turn, demand from our customers too.

In view of these developments, we are continuing with the implementation of asset-light model and streamlining our operations. The Group is maintaining minimal property, plant and equipment (“PPE”) required for ongoing operations. Looking ahead, we expect the underutilization of capacity to remain at this juncture. On a brighter note, VS anticipates the losses to narrow down in FY2023.

3. The Group posted a revenue of RM3.91 billion in FY2022, which was marginally lower compared to RM4.00 billion in the previous year following lower delivery of orders to key customers due to labour and component shortages. (page 14 of AR 2022).

Has the Group totally resolved labour and component shortages and is able to meet with timely delivery of all orders? To what extent has automation alleviated the labour and production efficiency problems especially if the Group continues to expand its production capacity?

Response

The Group has secured sufficient workers towards the end of FY2022 while the component shortage issue remains manageable. As such, we no longer face labour shortage issue at this juncture.

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

As for automation, VS has been implementing automation solutions where financially and economically feasible in order to reduce our reliance on manual labour. For instance, at both our new facilities at I-Park as well as existing plants, we have automated certain processes to enhance our operational efficiency, in addition to having warehouse automation systems at selected storage facilities. The Group will continue our efforts in this area as we expand our capacity.

4. For FY2022, the Indonesia segment recorded lower revenue and PBT on a YoY basis at RM327.8 million and RM8.4 million respectively as compared to RM350.0 million and RM11.0 million last year. This was primarily attributed to lower orders from its customers. (page 14 of AR 2022).

What were the main reasons for the lower orders from its customers? Was the Group able to expand its customer base in Indonesia and, if not, why? What is the outlook for Indonesia in FY 2023?

Response

The year-on-year (“YoY”) decline in revenue for Indonesia was relatively small at 6.4%, mainly due to the timing of orders by our customers in which were also affected by components shortages. On the customer base expansion, the Group remains in active discussions with potential customers. The process could take time as it involves multiple rounds of discussions, audits and site visits to be conducted by potential customers.

Notwithstanding this, we are happy to share that a customer which we have secured in year 2020 is expected to double their orders in FY 2023. As such, the outlook for Indonesia is positive as we expect higher contribution in FY2023, barring unforeseen circumstances.

5. The Group’s operations in Singapore, which acts as the marketing arm for Malaysia operations contributed the remainder of the revenue and PBT for FY2022 at RM792.0 million and RM0.3 million respectively. (page 14 of AR 2022).

Please explain how Singapore, though a marketing arm, registered only a low PBT of RM0.3 million despite recording a substantial revenue of RM792.0 million. What is the outlook in FY 2023?

Response

The small profit recorded by the operations in Singapore is owing to the fact that it functions as a marketing or trading arm only. The manufacturing profit is captured in the Malaysian operations. At the consolidated level, the profitability level remains within the acceptable range to the Group.

6. In the past, a few major customers have been contributing substantially to the Group’s revenue. Furthermore, VS does not have any long-term contracts with its customers. Therefore, the Group’s financial performance may be materially affected if it were to

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

lose one or more of its major customers or in the event of payment default. (page 16 of AR 2022).

The customer and credit risks have been in existence for many years. Measures to reduce overdependence on a few major customers do not seem to yield results as significantly and as quickly as expected. Please explain.

Response

VS is cognizant of the customer concentration risk and has been diversifying our customer base by getting onboard new customers, which has already begun to bear fruit and effectively reducing our customer concentration risk.

Back in FY2019, one of our major customers contributed around 64% of our Group revenue. Fast forward to FY2022, VS has a more balanced customer contribution with the said customer accounting for less than one-third of FY2022 Group revenue despite higher revenue base in absolute figure, with significant contributions coming from several other major customers.

7. The Group’s other expenses rose significantly from RM41.865 million in FY 2021 to RM61.234 million in FY 2022. (page 105 of AR 2022).

What were the main reasons for such a significant increase in other expenses? Is the situation expected to improve in FY 2023?

Response

This was largely due to the one-off impairment on the investment in associate as well as the loss on disposal and impairment loss on PPE relating to our China operations. For FY2023, we expect the figure to normalize as the impairment on the investment in associate is one-off.

Sustainability Matters

1. In February 2022, the Group appointed PwC Consulting Associates (M) Sdn Bhd to conduct an independent third-party review of its labour practices (“Review”). The independent Review was based on the 11 International Labour Organization (“ILO”) Indicators of Forced Labour and the scope extended to entire workforce of its Malaysia operations comprising both local and migrant workers. (page 12 of AR 2022).

Why was the scope of review not extended to cover operations in Indonesia and China? Are there any plans to extend the coverage in the future?

Response

The Independent review by PwC focused on Malaysia because of the large workforce comprising local and migrant workers. For perspective, our Malaysia operations have around 10,000 workers while our Indonesia and China operations have around 1,400 and 200 workers respectively. Additionally, all the workers in Indonesia and China are mainly locals in their respective countries.

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

Nevertheless, we are pleased to share that our labour practises in Indonesia and China comply with all the relevant local regulations, policies and guidelines.

QUESTIONS RAISED BY THE SHAREHOLDERS/PROXY HOLDERS AT THE MEETING

There were no other questions raised by shareholders/proxy holders at the meeting.

ANNOUNCEMENT OF POLL RESULTS

The resolutions set out in the Notice of the 40th AGM dated 29 November 2022 were put to vote by way of poll.

The poll results which have been vetted by the independent scrutineer were made available for the Chairman announcement to the shareholders present.

The results of the poll voting were as follows:-

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
Ordinary Resolution 1 To approve the payment of a final dividend of 0.4 sen per ordinary share for the financial year ended 31 July 2022.	2,481,578,993	100.0000	0	0.00000	Accepted
Ordinary Resolution 2 To approve the payment of Directors' fees up to an amount of RM809,600 for the financial year ending 31 July 2023, to be payable on quarterly basis in arrears.	1,886,259,435	99.99997	500	0.00003	Accepted
Ordinary Resolution 3 To re-elect the following Directors retiring in accordance with the Company's Constitution: (a) Tan Pui Suang	2,481,577,593	99.99998	400	0.00002	Accepted
Ordinary Resolution 4	2,018,282,126	96.08614	82,210,317	3.91386	Accepted

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
To re-elect the following Directors retiring in accordance with the Company’s Constitution: (b) Beh Chern Wei (Ma Chengwei)					
Ordinary Resolution 5 To re-elect the following Directors retiring in accordance with the Company’s Constitution: (c) Gan Pee Yong	1,999,863,689	95.69179	90,037,280	4.30821	Accepted
Ordinary Resolution 6 To re-elect the following Directors retiring in accordance with the Company’s Constitution: (d) Dr. Lim Boh Soon	2,214,243,679	89.22725	267,334,314	10.77275	Accepted
Ordinary Resolution 7 To re-elect the following Directors retiring in accordance with the Company’s Constitution: (e) Wee Beng Chuan	2,099,332,076	88.30736	277,969,417	11.69264	Accepted
Ordinary Resolution 8 To re-appoint the retiring Auditors, Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration.	2,481,577,993	100.0000	0	0.00000	Accepted
Ordinary Resolution 9 Proposed Authority to Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016	2,222,058,633	89.54216	259,519,360	10.45784	Accepted

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
Ordinary Resolution 10 Proposed Renewal of Shareholders’ Approval for Share Buy-Back	2,477,514,090	99.83833	4,011,803	0.16167	Accepted
Ordinary Resolution 11 Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”) with V.S. International Group Limited, its subsidiaries and associates (“Proposed Renewal of Shareholders’ Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates”)	1,375,843,137	100.0000	0	0.00000	Accepted
Ordinary Resolution 12 Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”) with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd (“Proposed Renewal of Shareholders’ Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd”)	1,375,843,137	100.0000	0	0.00000	Accepted
Ordinary Resolution 13 Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”) with Beeantah Pte. Ltd.	1,375,843,137	100.0000	0	0.00000	Accepted

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH ANNUAL GENERAL MEETING (“40TH AGM”) OF V.S. INDUSTRY BERHAD HELD AT ISKANDAR BALLROOM, HOTEL JEN PUTERI HARBOUR, JOHOR, PERSIARAN PUTERI SELATAN, PUTERI HARBOUR, 79000 ISKANDAR PUTERI, JOHOR DARUL TAKZIM ON FRIDAY, 6 JANUARY 2023 AT 10.30 A.M.

Resolution	Vote in favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
(“Proposed Renewal of Shareholders’ Mandate for RRPTs with Beeantah Pte. Ltd.”)					
Ordinary Resolution 14 Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”) with Liphup Mould Sdn. Bhd. (“Proposed Renewal of Shareholders’ Mandate for RRPTs with Liphup Mould Sdn. Bhd.”)	1,375,843,137	100.0000	0	0.00000	Accepted

CLOSE OF MEETING

The Secretary informed the Chairman that no notice of any other business for transacting at the meeting has been received. The Chairman thanked the shareholders for their attendance and declared the meeting closed at 12.10 p.m.