

KIM HIN JOO (MALAYSIA) BERHAD
(“KHJ” or the “Company”)
Registration No. 197801000642 (37655-U)

MINUTES OF THE FORTY-THIRD ANNUAL GENERAL MEETING OF KIM HIN JOO (MALAYSIA) BERHAD (“KHJB” OR “THE COMPANY”) CONDUCTED AT ROOM 3, 18TH FLOOR, TOWER 1, FABER TOWERS, JALAN DESA BAHAGIA, TAMAN DESA, 58100 KUALA LUMPUR ON THURSDAY, 30 MAY 2024 AT 10.00 A.M.

PRESENT:

DIRECTORS

Mr Pang Kim Hin	- Non-Independent Non-Executive Chairman (“the Chairman”)
Mr Pang Fu Wei	- Managing Director
Ms Goh Poh Teng	- Executive Director
Mr Chew Soo Lin	- Senior Independent Non-Executive Director
Mr Yen Se-Hua Stewart	- Independent Non-Executive Director
Mr Hew Moh Yung	- Independent Non-Executive Director
Ms Kor Yann Ning	- Independent Non-Executive Director

IN ATTENDANCE

Ms Chia Mei Thee	- Representing the Company Secretary
Ms Chang Kim Win	- Chief Financial Officer
Mr Eric Teoh Cheap Chee	- Auditors, Deloitte PLT

The list of shareholders, proxies and invitees who participated in the Forty-Third Annual General Meeting (“**43rd AGM**” or “**the Meeting**”) of the Company are set out in the Attendance Sheets and shall form an integral part of these Minutes.

INTRODUCTION BY THE CHAIRMAN

The Chairman, Mr Pang Kim Hin called the Meeting to order at 10.00 a.m. and welcomed all shareholders, proxies and invitees to the 43rd AGM of the Company.

QUORUM

Upon confirmation by the representative of the Company Secretary that the requisite quorum was present in accordance with Clause 65 of the Constitution of the Company, the Chairman called the Meeting to order at 10.00 a.m.

The Chairman then proceeded to introduce the Members of the Board and advisers to the shareholders.

NOTICE OF MEETING

With the consent of the members present, the Notice convening the Meeting having been circulated for the prescribed period was taken as read.

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SUMMARY OF PROXIES RECEIVED

The Company had received in total 11 proxy forms from the shareholders for a total of 234,378,700 ordinary shares, representing 73.98% of the total issued and paid-up share capital of the Company. Out of these, there were 3 shareholders who have appointed the Chairman of the Meeting as proxy to vote on their behalf and the shares so represented stood at 211,117,500 which represented 66.63% of the total issued and paid-up share capital of the Company.

POLLING AND ADMINISTRATIVE DETAILS

In accordance with Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Meeting would be voted by poll. The Chairman demanded for a poll to be taken on all resolutions set out in the Notice of Meeting pursuant to the Constitution of the Company.

The Chairman further informed that the polling process would be conducted after the deliberation of all items on the Agenda. To facilitate the polling process, the Company has appointed Messrs SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify the polling procedure and process as well as the eventual poll results.

PRESENTATION ON FINANCIAL YEAR 2023 SNAPSHOT

At the Chairman's invitation, Mr Pang Fu Wei, the Company's Managing Director, highlighted that the business has been challenging than anticipated in the past few years and the baby retail sector has yet to recover to pre-Covid-19 pandemic levels. In 2023, with a strong start in the economy but softened in the second quarter, consumer spending continued to be weak for the remaining year. The Company could not sustain the rebound and growth as registered in 2022, therefore, shifted the focus in managing the committed inventories and improving the cash flow position. Last year, it was also challenging for the local currency, touching a new low since the Asian financial crisis with a negative 4.1% change against the USD, impacted our business with higher cost of goods that could not be passed to our consumers resulted in lower gross profit margin.

He then presented the financial year 2023 ("FYE2023") Snapshot and the salient items were as follows:-

- i) For FYE 2023, the Group achieved RM95.8 million in revenue, a decrease of 8.4% from the previous year.
- ii) Gross profit decreased 15.5% to RM42.42 million.
- iii) The loss after tax was RM0.79 million and despite the disappointing paper loss, the Group achieved the most important objective of improving the operating cash flow by 4.3% to RM11.27 million.

Moving forward, we remain committed to further enhancing our cash flow position in enabling us to capitalise potential opportunities and drive long term growth a success. Mr Pang Fu Wei took the opportunity to thank the staff for their hard work, dedication, and loyalty to the Group.

PRESENTATION ON FINANCIAL HIGHLIGHTS

Ms Chang Kim Win, the Chief Financial Officer of the Company presented the financial highlights of the Group for FYE2023, the salient items as set out below:

- 1) For FYE2023, the Group recorded an overall revenue decrease of 8.4% as compared to FYE 2022.

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- 2) The Group's revenue was derived from two business segments, Retail & Distribution. In FYE2023, the Retail segment continues to be the primary contributor accounting to more than 80% of the Group's total revenue and the Group's revenue was affected by weak consumer market sentiment towards baby, children and maternal products.
- 3) There are 3 product categories i.e. Clothing, Home & Travel and Toys. Since the opening of The Entertainer outlets in 2020, the Toy sales had steadily increased over the years from 8.2% to 15.2%.
- 4) The Group recorded a 15.5% decrease in gross profit to RM42.4 million compared to the previous year primarily due to lower sales volume from both Retail and Distribution segments, increase promotional activities for the year which dampens the Group's gross profit margin and the weakening of the ringgit impacted the overall cost of sales.
- 5) For FYE2023, the Group recorded a loss before tax of RM0.7 million primarily due to higher operating expenses, lower sales and lower margin.
- 6) The Group's balance sheet remains at a strong position with positive cash flow and zero borrowings.

PRESENTATION ON OPERATING HIGHLIGHTS

Mr Pang Fu Wei, the Managing Director of the Company presented the Operating Highlights of the Group for FYE2023.

In 2023, the retail sector has yet to fully recover to pre-Covid-19 pandemic levels which was reflected in the FYE2023 results as the Company slipped into the red driven by several factors namely dampen consumer sentiment as a result of global uncertainty such as geopolitical tensions, subsidy removal and interest rate hike and declining birthrate due to cost of living pressure. In light of such events, the Group is cognizant and will focus to strengthen on its core competencies and below are some of our strategies on business optimisation plans to be implemented in 2024:-

Mr Pang Fu Wei highlighted the following initiatives to be undertaken by the Group:-

1) Inventory optimisation

We plan to review our stock position, reduce stock levels based on current sales trends, and write off obsolete inventories to optimise operational efficiency and improve cash flow.

2) Optimising the number of stores

We will continue to assess market demand in potential locations and the viability of new retail stores, as well as adjusting to the changing consumer demand and resize/close non-performing locations.

3) Optimising operations

We intend to review our corporate structures and merge operating entities which will reduce our intercompany trading, streamline operations, and reduce overall expenses.

4) New opportunities

While organic growth maybe challenging this year but with strong cash flow and balance sheet position, we will be able to take advantage of new opportunities and to secure complementary brands to enhance our existing product portfolio.

In summary, the Group intends to focus on inventory optimisation, operational efficiency and look for new opportunities. Mr Pang Fu Wei then thanked the shareholders and Board members for their continuous support to the Group.

The Chairman thanked Mr Pang Fu Wei for his presentation and proceeded with business on the agenda as set out in the Notice of 43rd AGM.

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Chairman informed that the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Directors' and Auditors' Reports have been circulated to all shareholders within the prescribed period for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from the shareholders.

It was recorded that the Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Directors' and Auditors' Report are hereby received by the shareholders.

After the Chairman went through each of the motions set out in the Notice of Meeting, the Chairman informed the Meeting that the Company had received several questions from the members prior and during the Meeting.

The questions raised by the members were succinctly addressed, details of which were as follows:-

1) ***Are the Entertainer and e-commerce businesses profitable to be standalone?***

Mr Pang Fu Wei informed that the e-commerce business is profitable and despite the Entertainer being loss-making, it is EBITDA positive.

2) ***What will be the capital expenditure for the coming financial year after years of expansion?***

Ms Chang Kim Win informed that the total budgeted capital expenditures for 2024 was RM2.6 million inclusive of the relocation of Mid-Valley outlet, IT investment cost and floor refurbishment expenses.

The Chairman added that the major portion of the capital expenditure has been allocated for the relocation of the Mid-Valley outlet which is very profitable, to a larger store and highlighted that cash conservation is the priority currently and would be spent wisely if needed.

3) ***Past records indicated that for purchases denominated in Pounds and USD, Pounds were around 14%, and USD was around 10%. Does this remain the same, or has it been changed? Are there still portions in RM?***

Mr Pang Fu Wei informed that most of the purchases have been converted to USD as the base currency and the percentage is approximately 16%-17% but for the local supplies are in RM and the imported supplies are in USD.

4) ***What is the standard stock holding for businesses for the industry?***

Mr Pang Fu Wei informed that the standard stock holding for the industry varies based on markets and verticals and it would be approximately 3 to 4 months on global average but it is higher in Malaysia i.e above 6 months due to lower stock turnover which increases the stock holding period. We purchased stocks eight (8) months in advance and had to cancel some orders due to decline in sales which had resulted in increasing stock accumulation. The Company aims to achieve the six (6) month stock holding period by end of the year.

5) ***What is the reason behind the significant number of stocks in transit and why has it been so high in the past two financial years?***

Mr Pang Fu Wei informed that one of the reasons was the difficulty to predict the duration of the Covid-19 pandemic which had caused some pushback in orders due to full capacity storage in the warehouse, leading to an accumulation of stock in transit. However, he highlighted that the quantity of stock in transit had been under controlled and decreased massively.

6) ***The focus on cash flow is relatively important, but what about the profitability and the operational costs?***

Mr Pang Fu Wei informed that the headcount had been reduced by approximately 18% from 229 employees in 2019 to 187 employees in 2023 and the Mothercare stores had been increased from 18 to 21 stores resulted in revenue per employee increased from RM336,000 to RM399,000. The productivity had increased but unfortunately the fixed costs, including rental and the cost of manpower had increased slightly due to the implementation of minimum wage by the Government. In terms of cost management, we try to save as much as we could and not to the point that we become operational ineffective.

Mr Pang Fu Wei assured that the upcoming corporate restructuring would result in a major increase in savings in the coming months and by merging the entities allows better flexibility, efficiency and cost effective for the Group.

7) ***What is the breakdown for the management fees of approximately RM4 million per year and Other Operating Expenses of approximately RM10 million?***

Ms Chang Kim Win informed that the management fees include the royalty fee paid to Mothercare UK. On the other hand, the other operating expenses of RM10.0 million were inclusive of rental costs of RM5.2 million and the remaining were for general expenses such as electricity, general admin costs, insurance, maintenance costs, company secretary and professional fees, AGM costs, marketplace fees and etc. She added that certain expenses had decreased as compared to the previous year.

8) ***Will the declaration of 1 sen dividend return?***

The Chairman informed that the declaration of 1 sen dividend would return if the market recovers, expected to be by January 2025.

Mr Pang Fu Wei apologised for the disappointing results, one of the reasons was due to too much discounting led to an increase in volume but was insufficient to increase revenue which had affected the margins. He explained that the Company is prioritising on destocking at cost and cash flow in the current year and by next year, if able to achieve the stock holding level to below six months, he is confident that the margins could return to the level when the results were previously achieved.

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After having addressed all the questions raised, the Chairman proceeded to announce the results of the poll as follows:-

POLL RESULTS

1. ORDINARY RESOLUTION 1

- **PAYMENT OF A FINAL SINGLE-TIER DIVIDEND OF 0.1 SEN PER ORDINARY SHARE IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 1	No. of Shareholders:	43	No. of Shareholders:	-	Carried
	No. of Shares:	268,788,976	No. of Shares:	-	
	% of Voted Shares:	100.0000	% of Voted Shares:	0.0000	

It was RESOLVED:-

“THAT the payment of a Final Single-Tier Dividend of 0.1 sen per ordinary share in respect of the financial year ended 31 December 2023 be and is hereby approved”.

2. ORDINARY RESOLUTION 2

- **DIRECTORS' FEES PAYABLE TO DIRECTORS FROM THIS FORTHCOMING 43RD AGM UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 2	No. of Shareholders:	35	No. of Shareholders:	2	Carried
	No. of Shares:	17,415,376	No. of Shares:	4,100	
	% of Voted Shares:	99.9765	% of Voted Shares:	0.0235	

It was RESOLVED:-

“THAT the Directors' Fees payable to the Directors of the Company on quarterly basis in arrears after each quarter of completed service of the Directors up to an aggregate amount of RM320,000.00 from this forthcoming 43rd AGM until the conclusion of the next Annual General Meeting of the Company be and is hereby approved”.

3. ORDINARY RESOLUTION 3

- **RE-ELECTION OF MR PANG FU WEI**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 3	No. of Shareholders:	42	No. of Shareholders:	-	Carried
	No. of Shares:	268,250,176	No. of Shares:	-	

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	% of Voted Shares:	100.0000	% of Voted Shares:	0.0000	
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It was RESOLVED:-

“THAT Mr Pang Fu Wei who retired pursuant to Clause 95 of the Company’s Constitution, be and is hereby re-elected as Director of the Company.”

4. **ORDINARY RESOLUTION 4**
- **RE-ELECTION OF MR CHEW SOO LIN**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 4	No. of Shareholders:	42	No. of Shareholders:	-	Carried
	No. of Shares:	266,638,976	No. of Shares:	-	
	% of Voted Shares:	100.0000	% of Voted Shares:	0.0000	

It was RESOLVED:-

“THAT Mr Chew Soo Lin who retired pursuant to Clause 95 of the Company’s Constitution, be and is hereby re-elected as Director of the Company.”

5. **ORDINARY RESOLUTION 5**
- **RE-APPOINTMENT OF MESSRS DELOITTE PLT AS AUDITORS**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 5	No. of Shareholders:	43	No. of Shareholders:	-	Carried
	No. of Shares:	268,788,976	No. of Shares:	-	
	% of Voted Shares:	100.0000	% of Voted Shares:	0.0000	

It was RESOLVED:-

“THAT Messrs Deloitte PLT be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next AGM of the Company and that the Directors be authorised to fix their remuneration.”

6. **ORDINARY RESOLUTION 6**
- **PROPOSED AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 6	No. of Shareholders:	41	No. of Shareholders:	2	Carried
	No. of Shares:	268,784,876	No. of Shares:	4,100	

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	% of Voted Shares:	99.9985	% of Voted Shares:	0.0015	
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It was RESOLVED:-

“THAT pursuant to Section 76 of the Act, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the Constitution of the Company and approval of all the relevant governmental and/or regulatory authorities, where such approval is necessary.”

7. ORDINARY RESOLUTION 7

- **PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)**

The Chairman announced the results of the poll as follows:-

Resolution	Votes in favour		Votes against		Results
Ordinary Resolution 7	No. of Shareholders:	38	No. of Shareholders:	2	Carried
	No. of Shares:	21,365,376	No. of Shares:	4,100	
	% of Voted Shares:	99.9808	% of Voted Shares:	0.0192	

It was RESOLVED:-

“THAT subject to the provisions of the Constitution of the Company and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into and to give effect to the recurrent related party transactions (“**RRPT**”) of a revenue or trading nature with the related parties as stated in Section 2.4 of the Circular to Shareholders dated 30 April 2024 provided that:-

- the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- the disclosure will be made in the Annual Report on the breakdown of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholders’ Mandate during the financial year on the type of RRPT made, the names of the related parties involved in each type of RRPT and their relationships with the Company.

THAT the authority conferred shall continue to be in force until:-

- the conclusion of the next AGM of the Company following the forthcoming 43rd AGM at which the Proposed Shareholders’ Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
- the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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iii) revoked or varied by resolution passed by the shareholders in general meeting,
whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

CONCLUSION

The Chairman on behalf of his fellow Board members extended his appreciation to the stakeholders, shareholders and business partners for their continued support. There being no other business to be transacted, the Meeting concluded at 10.55 a.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

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CHAIRMAN