

**C.I. HOLDINGS BERHAD**  
(Company No. 37918-A)  
(Incorporated in Malaysia)

**Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company Held at Grand Pullman Ballroom, Level 3, Pullman Kuala Lumpur City Centre Hotel & Residences, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 27 October 2016 at 10:00 a.m.**

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**PRESENT :**

Directors

YBhg. Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz	- Chairman, Independent Non-Executive
Encik Megat Joha bin Megat Abdul Rahman	- Group Managing Director
YBhg. Datin Mariam Prudence binti Yusof	- Non-Independent Non-Executive
Mr. Fung Heen Choon	- Non-Independent Non-Executive
Dato' Sukumaran s/o Ramasamy	- Non-Independent Non-Executive
Encik Nor Hishammuddin bin Dato' Mohd Nordin	- Independent Non-Executive
Ms. Teh Bee Tein	- Independent Non-Executive
Mr. Kasinathan a/l Tulasi	- Independent Non-Executive
Ms. Lee Cheang Mei	- Non-Independent Non-Executive
(Alternate Director to Mr. Fung Heen Choon)	
Dato' Tan Fok Wah	- Non-Independent Non-Executive
(Alternate Director to Dato' Sukumaran s/o Ramasamy)	

Shareholders/Proxies

As per Attendance List

**IN ATTENDANCE :**

Ms. On Pooi Fong	- Joint Secretary
Ms. Tan Lai Hong	- Joint Secretary

**BY INVITATION:**

As per Attendance List

**AGENDA 1**

**AUDITED FINANCIAL STATEMENTS TOGETHER WITH THE DIRECTORS' AND AUDITORS' REPORTS**

The Audited Financial Statements of the Company for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon, were tabled for discussion.

The reply to questions raised by Minority Shareholder Watchdog Group ("MSWG") in their letter to the Company dated 21 October 2016 are set out in Appendix A of this summary.

Among the key matters raised by the shareholders on the performance of the Company and its subsidiaries ("the Group") as well as the responses from the Board of Directors and Management were as follows:-

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- Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company held on 27 October 2016 (cont'd)
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<b>No. Key Matters raised by the shareholders</b>	<b>Responses from the Board of Directors and Management Team</b>
1. A shareholder of the Company raised concern on the net gearing of close to 90% and negative operating cash flow reported at RM80.1 million of the Company as reflected on page 6 and page 45 of the Annual Report.	The high gearing was based on short term debts of the Group. As at 30 June 2016, the collection was slow. Nonetheless, 75% – 80% of the trade receivables were collected subsequently.
2. The shareholders were concerned on the cash flow management of the Company as it encountered negative cash flow even with the increased in bank borrowings and whether the Company has any other business plan or acquisition.	The cash flow of the Group was monitored by the Management on a timely basis. All the payables were paid on time and our credit worthiness was good.  In respect of any other business or planned new acquisitions, the Company was unable to comment on this matter. Notwithstanding that, the Company is assessing a couple of new ventures and is looking forward to expand its current business.  The Company also has plans to venture into the specialty fats sector subject to proper assessment and approval from the Board of Directors.
3. A shareholder of the Company cited that the trade and other receivables of the Company had increased from RM110.3 million in year 2015 to RM240.0 million in year 2016 whereby the Company needs to improve on the collection. As a result, the operating cash flow had dropped to negative RM80.1 million. The shareholder also inquired on the basis of the inclined in bank borrowings.	Notwithstanding the global gloom in the market and shortage of foreign currency, i.e. United States Dollars ("USD"), the trade debtors turnover period has improved from one hundred (100) days in the previous financial year to seventy-five (75) days in the financial year under review.  Arising from the acquisition of Continental Resources Sdn Bhd and Palmtop Vegeoil Products Sdn Bhd, the companies required new trade facilities with the Banks. Therefore, the Group increased its facilities as and when this requirement for trade financing is required.

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- Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company held on 27 October 2016 (cont'd)
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<b>No. Key Matters raised by the shareholders</b>	<b>Responses from the Board of Directors and Management Team</b>
4. A shareholder raised his concern on the impairment loss of RM5.2 million as reflected on page 72 of the Annual Report 2016. He was of the view that edible oil business is categorised under fast-moving consumer goods and the sales should be upon payment instead of credit term.	The impairment loss reported on page 72 was derived from provisions in trade receivables of amounts outstanding over six (6) months from its due dates. The credit term given to the buyers was seventy-five (75) days to cover for voyage time to destinations. And as the edible oil is exported out of country, the Group recognises its sales at the point of shipment.  Sales of edible oil is based on the sales contracts entered into and not based on Letter of Credits issued.
5. A proxy of the Meeting pointed out that the cost of goods sold of the Company was relative high at approximately 10% of the profit margin. He was in the opinion that the Company should have higher profit margin.	There were many factors that would affect the profit margin of the Company which are beyond control by the Company. For example finance costs, packaging costs and freight charges.
6. In addition, with the drastic increase in revenue, the proxy proposed that Management to exercise rights issues in order to benefit the shareholders.	The Company does not have any plans for right issues at the moment.
7. The proxy inquire as to whether the Company has any consideration to dispose the tap and sanitary ware division.	The Company is not considering to dispose off the tap and sanitary ware division at the moment. The Management was of the view that the demand of tap and sanitary ware products will always be there.
8. A shareholder raised his concern on the loss in foreign exchange ("forex") as reflected on page 81 of the Annual Report 2016	The loss in forex was due to the strengthening of the Ringgit Malaysia against USD from September 2015 to June 2016.

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- Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company held on 27 October 2016 (cont'd)
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<b>No. Key Matters raised by the shareholders</b>	<b>Responses from the Board of Directors and Management Team</b>
9. A shareholder inquired on the hedging of contracts and whether the Company forecasted any impacts on the edible oil business after the removal of oil subsidy by government.	The Company hedges most of its sales contracts with forward pricing in Ringgit Malaysia as 90% of the edible oil were exported. There is no significant impact on the Company's business after the removal of edible oil subsidy by government as our export market is significantly higher than our domestic sales.
10. A shareholder raised his curiosity on the Company's business plan in the near future. He referred to page 90 of the Annual Report and noticed that the Company focused on foreign market mostly.	The Company does not favour the local market currently as it is overly competitive and whereas our quota is still small viz. less than 800 metric tonnes per month. There is still room for market expansion overseas and the Company is looking into investing in higher capacity packing equipment and machines.
11. A shareholder inquiry as to whether the Company has any fixed dividend policy.	The Company does not have any fixed dividend policy. The declaration of 5 sen per ordinary share of RM0.50 each for the financial year ended 30 June 2016 served as reward to the loyal shareholders.

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## **AGENDA 2**

### **ORDINARY RESOLUTION NO. 1**

- **FIRST AND FINAL SINGLE-TIER DIVIDEND FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

The declaration of a first and final single-tier dividend for the financial year ended 30 June 2016 was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

## **AGENDA 3**

### **ORDINARY RESOLUTION NO. 2**

- **PAYMENT OF DIRECTORS' FEE**

The payment of Directors' Fees of RM105,000.00 for the financial year ended 30 June 2016 was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

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- Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company held on 27 October 2016 (cont'd)
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**AGENDA 4**

**ORDINARY RESOLUTION NO. 3**

- **RE-ELECTION OF ENCIK NOR HISHAMMUDDIN BIN DATO' MOHD NORDIN AS DIRECTOR RETIRING BY ROTATION PURSUANT TO ARTICLE 92 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The re-election of Encik Nor Hishammuddin bin Dato' Mohd Nordin as Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**ORDINARY RESOLUTION NO. 4**

- **RE-ELECTION OF MR. KASINATHAN A/L TULASI AS DIRECTOR RETIRING BY ROTATION PURSUANT TO ARTICLE 92 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The re-election of Mr. Kasinathan a/l Tulasi as Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**AGENDA 5**

**ORDINARY RESOLUTION NO. 5**

- **RE-APPOINTMENT OF TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ IN ACCORDANCE TO SECTION 129(6) OF THE COMPANIES ACT, 1965**

The re-appointment of Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz as Director of the Company and to hold office until the conclusion of the next Annual General Meeting was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**AGENDA 6**

**ORDINARY RESOLUTION NO. 6**

- **RE-APPOINTMENT OF MESSRS BDO AS AUDITORS OF THE COMPANY**

The re-appointment of Messrs BDO as Auditors of the Company for the ensuing year and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

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- Summary of Key Matters Discussed at the Thirty-Eighth Annual General Meeting of the Company held on 27 October 2016 (cont'd)
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**AGENDA 7**

**ORDINARY RESOLUTION NO. 7**

- **RETENTION OF TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

The retention of Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**AGENDA 8**

**ORDINARY RESOLUTION NO. 8**

- **RETENTION OF ENCIK NOR HISHAMMUDDIN BIN DATO' MOHD NORDIN AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

The retention of Encik Nor Hishammuddin Bin Dato' Mohd Nordin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**AGENDA 9**

**ORDINARY RESOLUTION NO. 9**

- **AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

The resolution on authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965 was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

**APPENDIX A**

**QUESTIONS & ANSWERS TO THE MATTERS RAISED BY THE MINORITY SHAREHOLDER WATCHDOG GROUP ("MSWG") IN ITS LETTER TO THE COMPANY DATED 21 OCTOBER 2016**

**Strategic/Financial Matters**

1. As stated in the Chairman's Statement, the Group's plan to expand Edible Oil Products Division its packing and jerry-can molding capacities at both its locations by investing in more efficient and less labour intensive machines.

Please brief the shareholders the Group's overall plan including its capacity expenditure and expected increase in capacity.

**Planned capital expenditure for FYE 2017/2018 for the Klang factory (subject to changes) is as follows :-**

<i>Plant &amp; machinery (est.)</i>	<i>RM 3,000,000</i>
<i>Tanks, piping &amp; pumps (est.)</i>	<i>RM 1,000,000</i>
<i>New factory, office &amp; warehouse (est.)</i>	<i>RM 5,000,000</i>
	<i>-----</i>
<b>Total estimated Capex</b>	<b>RM 9,000,000</b>
	<b>=====</b>

**The above capex is expected to increase packing capacity by about 55% i.e. from the current 16,000 MT per month to 25,000 MT per month upon successful installation & commissioning of all plant & machineries by end of Quarter 2 FYE 2018.**

**Planned capital expenditure for FYE 2016/2017 for the Pasir Gudang factory is as follows :-**

<i>Plant &amp; machinery</i>	<i>RM 6,900,000</i>
<i>Tanks, piping &amp; pumps</i>	<i>RM 100,000</i>
	<i>-----</i>
<b>Total Capex</b>	<b>RM 7,000,000</b>
	<b>=====</b>

**The above capex is expected to increase packing capacity by about 55% i.e. from 45,000 MT per month to 70,000 MT per month upon successful installation & commissioning of all plant & machineries by end of Quarter 2 FYE 2017.**

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2. On page 42 of the Annual Report, we noted that inventories had increased from RM26.2 million in FY2015 to RM44.2 million in FY2016. Is the Company not concerned of overstocking and any resultant write-off arising from obsolescence?

**The inventory increased when compared with the increase in revenue and cost of sales for the Group is marginal at RM26.2 million for FYE 2015 to RM44.2 million in FYE 2016 as compared to the increase in sales from RM398 million for FYE 2015 to RM1.305 billion for FYE 2016 and the increase in cost of sales from RM356.7 million for FYE 2015 to RM1.1928 billion for FYE 2016.**

What is the average inventory turnover period and the write-off the policies on inventory?"

**The inventory turnover period for FYE 2016 is 12.4 days vs 24 days for FYE 2015.**

**Write-offs in inventory for the tap and sanitary ware division relates to slow-moving finished goods or raw materials used in production. Our basis for inventory impairment includes, amongst others, the following:**

- a. Switching to latest or upgraded models;**
- b. Cease production of a particular model or product; and**
- c. Physical damage or deterioration in quality.**

**There are no write-offs in inventory for the edible oils division as all purchases for oils and packing materials are made to order.**

3. Impairment loss on trade receivables had increase to RM5.0 million in FY2016. What is the chance of recovery and would the company be expected to incur any additional impairment charges for FY2017?"

**The impairment loss of RM5 million was recorded accordance with the policies of the Group as of 30 June 2016. Whilst the impairment has been recorded, all effort is being made to collect the amount. The recoverability of all trade receivables will be assessed at the end of each quarterly period as part of our periodic assessment.**

## **Corporate Governance Matters**

1. Recommendation 3.2 of the Malaysian Code on Corporate Governance 2012 states that the tenure limit for independent directors should not exceed nine (9) years. We noted that two of the independent directors have served the Company for a term exceeding 12 years.



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***The Nomination Committee of the Company performs annual assessment to assess the independence and the effectiveness of the Independent Directors. Based on the assessment done, and notwithstanding the tenure of the terms of service of the Independent Directors concerned, the Board is satisfied with the independence demonstrated by the Independent Directors and the Board is confident of their ability to continue to act in the best interest of the Company.***

2. Publish the Company's Memorandum and Articles of Association on the Company's website.

**The Company is of the view that there is no urgency or real need to publish the Company's Memorandum and Articles of Association on its website as the Memorandum and Articles of Association is readily available for inspection at the registered office of the Company during office hours upon request by the shareholders.**