

# C.I. HOLDINGS BERHAD

(Company No. 37918-A)  
(Incorporated in Malaysia)

## **Summary of Key Matters Discussed at the Thirty-Ninth Annual General Meeting of the Company Held at Ballroom 1, Intercontinental Kuala Lumpur at 165, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 31 October 2017 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
Datuk Haji Ariffin bin Imat	- Independent Non-Executive
Ms. Lee Cheang Mei	- Non-Independent Non-Executive
(Alternate Director to Mr. Fung Heng Choon)	

#### 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

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

The Audited Financial Statements of the Company for the financial year ended 30 June 2017 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 26 October 2017 are set out in Appendix A of this summary.

Upon answering the questions raised by the shareholders and proxy holders, the Audited Financial Statements of the Company for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditors were duly received by the Meeting.

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**ORDINARY RESOLUTION NO. 1**

- **FIRST AND FINAL SINGLE-TIER DIVIDEND FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

The declaration of a first and final single-tier dividend for the financial year ended 30 June 2017 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. 2**

- **PAYMENT OF DIRECTORS' FEE AND BENEFITS**

The payment of Directors' Fees and benefits of RM247,750.00 for the financial year ended 30 June 2017 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. 3**

- **DIRECTORS' BENEFITS FOR THE PERIOD FROM 1 JULY 2017 UNTIL THE NEXT ANNUAL GENERAL MEETING**

The Directors' benefits of up to an amount of RM216,000.00 for the period from 1 July 2017 until 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.

**ORDINARY RESOLUTION NO. 4**

- **RE-ELECTION OF DATIN MARIAM PRUDENCE BINTI YUSOF AS DIRECTOR RETIRING BY ROTATION PURSUANT TO ARTICLE 92 OF THE COMPANY'S CONSTITUTION**

The re-election of Datin Mariam Prudence Binti Yusof 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. 5**

- **RE-ELECTION OF MR. FUNG HEEN CHOON AS DIRECTOR RETIRING BY ROTATION PURSUANT TO ARTICLE 92 OF THE COMPANY'S CONSTITUTION**

The re-election of Mr. Fung Heen Choon 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.

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**ORDINARY RESOLUTION NO. 6**

- **RE-ELECTION OF DATUK HAJI ARIFFIN BIN IMAT AS DIRECTOR DURING THE YEAR AND RETIRES PURSUANT TO ARTICLE 98 OF THE COMPANY'S CONSTITUTION**

The re-election of Datuk Haji Ariffin Bin Imat 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. 7**

- **RE-APPOINTMENT OF TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ WHO IS OVER THE AGE OF SEVENTY (70) YEARS**

With the enforcement of the Companies Act, 2016, there is no age limits for Directors. The re-appointment of Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz as Director of the Company was approved by the shareholders at the Meeting, whereby Tan Sri Dato' Seri Abdul Ghani bin Abdul Aziz shall be subject to retirement by rotation at a later date.

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

**ORDINARY RESOLUTION NO. 8**

- **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.

**ORDINARY RESOLUTION NO. 9**

- **RETENTION OF TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ AS AN INDEPENDENT NON-EXECUTIVE 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 (9) 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.

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**ORDINARY RESOLUTION NO. 10**

- **RETENTION OF ENCIK NOR HISHAMMUDDIN BIN DATO' MOHD NORDIN AS AN INDEPENDENT NON-EXECUTIVE 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 (9) 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.

**ORDINARY RESOLUTION NO. 11**

- **AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

The resolution on authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 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 26 OCTOBER 2017

#### Strategic and Financial Matters

The Group revenue increased from RM1.3 billion to RM2.2 billion for the financial year under review, an increase of 67% as compared to the previous financial year. The increase in revenue was mainly due to the increase in shipments of full container loads, higher selling prices in US\$ and the weakening of Ringgit Malaysia.

1. Could the Board share what are the key measures taken to ensure that the Company is able to sustain its performance in the next financial year?

***It is unlikely that we will be able to maintain a 67% growth in revenue for the next financial year. Growth figures were high from 2015 to 2016 and consequently from 2016 to 2017 due to the revenues generated by Palmtop Vegeoil Products Sdn Bhd (266956-P) (“Palmtop”) following from its initial acquisition and setting up of operations. Moving forward as operations mature and settle in, growth is expected to be more modest than the previous years.***

Year	2014	2015	2016	2017
Sales	91,884	399,278	1,305,383	2,175,392
Growth	-	335%	227%	67%

2. As stated in the Management Discussion and Analysis, the Edible Oil Products Division is planning to expand its plant capacity within the next financial year. At the same time, the Tap and Sanitary Ware Division will remain focused in its collaboration with Original Equipment Manufacturers (“OEM”) and trading in other materials with the view of increasing revenue and maximising margins.
  - i) Could the Board share the expected capital expenditure to expand its plant capacity and how would it be funded?
  - ii) What would be the expected increase in the plant capacity?

***Planned capital expenditure for FYE2018 will total RM12.5 million comprising RM7 million for new factory & warehouse at Plant 3 Continental Resources Sdn Bhd (173543-U) (“CRSB”) and RM5.5 million for new machinery for both CRSB (RM5 million) and Palmtop (RM0.5 million). These capital expenditure will be financed partly by cash and bank borrowings.***

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**Plant capacity at CRSB is expected to increase by 22% or by an additional 5,000 full container loads ("FCLs") per annum to 21,900 FCLs from the current 17,900 FCLs exported and sold annually.**

3. We noted that the Company is expecting a challenging business environment for its Tap & Sanitary Ware Division due to the influx of cheap imports into the market and the softening of the property development market which has adversely affected the financial performance of the division.

Could the Board explain what are the measures taken by the Company to minimise the risks and improve the segment's performance in FY2018?

**Below are the strategies :**

- 1) **Lower the Operating Costs by:**
  - a) **Switching sourcing bases for components (Germany to China);**
  - b) **Changing production methods for some products i.e. casting to forging;**
  - c) **Headcount rationalization;**
  - d) **Redesigning of products with lesser materials yet conforming still to MS standards.**
  
- 2) **Meeting with the relevant Authorities such as SPAN and other Government enforcement agencies to impose MS Standards to curb cheap imports and substandard products.**
  
- 3) **Marketing**
  - a) **Putting more emphasis on export market;**
  - b) **Loyalty programme being launched for our existing customers;**
  - c) **Working closely with developers and contractors to secure orders.**
  
4. We noted that the Company's Net Gearing (Ratio) spiked from 0.91 in the FY2016 to 1.56 in the FY2017 in order to fund its operations.

What is the Company's optimum ratio and policy on the gearing level?

**The Group per se does not have a gearing ratio policy. However, currently our Group's gearing ratio is around 1.14x [LT Borrowings + ST Borrowings / Equity]. Other Liquidity indicators such as current ratio and quick ratio are also healthy at around 1.38 and 1.25 respectively. We are cognisant of the fact that the majority of the debt is short-term, and the gearing ratio is acceptable for a growing company such as ours. At the same time, we are always prudent in taking steps to mitigate credit risk as much as possible to prevent any inability or failure to meet our obligations.**

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5. It is shown that the GPM is deteriorating for the last five (5) financial years. Despite the lower margin, the Revenue had slightly increased from RM1.3 billion in FY2016 to RM2.2 billion in FY2017.

What steps have been taken to improve the profit margin?

***It is the norm in the consumer pack edible oil industry to have low profit margins. As a new entrant into a market with well establish companies, Palmtop is not insulated to the effects of market forces. Hence, since we are currently still building the reputation and visibility of our own proprietary brands, margins will continue to be low. We estimate that after a firmed market presence for at least four years in any particular market, we should be able to capitalise on our brand presence/equity in the form of higher margins.***

***CRSB on the other hand manufactures its own packaging material such as jerry cans and therefore, we are able to reduce costs to between 3% to 5% for costs of purchases of raw materials and logistic costs. In addition, proper planning on purchases of resin and calcium carbonate at lower prices being their main input of raw materials also contribute to lower costs of manufacturing of jerry cans. Therefore, CRSB is able to sell jerry cans finished goods at more competitive prices and subsequently increase the sales volume and potentially increase market share.***

***In addition, planned expansion into new business segments such as the highly sought after vegetable ghee is expected to achieve higher profit margins. We will also be expanding into new markets such as the Philippines and Cambodia to spur further growth in sales and margins.***

***Increase in production efficiency, extra production capacity, good quality finished goods and also increase in manufacturing of our own jerry cans will enable CRSB to be more price competitive to its customers and potentially increase the market share, sales volume and profit margins.***

**Corporate Governance Matter**

1. We noted that two of the Independent Directors including the Chairman of the Company have served more than 12 years.

We hope the Board would look into its Succession Planning taking cognisance of requirements under Practice 4.2 of the Malaysian Code on Corporate Governance 2017 relating to Independent Directors who have served the Board for more than nine years.

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***As informed at last year's Annual General Meeting, the Nomination Committee of the Company performs annual assessments to assess the independence and effectiveness of the Independent Directors. Based on the assessments 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.***

***Consequently, with the implementation of the Malaysian Code of Corporate Governance 2017 effective 31 December 2017, the Company will seek annual shareholders' approval through a two-tier voting process at the next Annual General Meeting.***

***Nevertheless, discussions have taken place between the Board and Management on the succession plans of the Company during the Board of Directors' Meeting. The Company has a structured succession plan in place. In addition, the Company had on 6 March 2017 appointed Datuk Haji Ariffin Bin Imat as a new Independent Non-Executive Director to the Board.***

***The Board now comprises four (4) Non-Independent Directors and five (5) Independent Non-Executive Directors.***