CYL CORPORATION BERHAD (516143 V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE NINETEENTH ANNUAL GENERAL MEETING ("19TH AGM") OF THE COMPANY HELD AT BALLROOM 2, LG LEVEL, EASTIN HOTEL, 13, JALAN 16/11, PUSAT DAGANG SEKSYEN 16, 46350 PETALING JAYA, SELANGOR DARUL EHSAN ON MONDAY, 22 JULY 2019 AT 10.00 A.M.

Question:

Page 12 of the Chairman's Statement stated "Higher production costs brought on by the rising raw material costs coupled with lower demand will inevitably affect the Group's profit margin". Has the condition of the Group's performance improved?

The Company's response:

Cost of raw materials was very much dependent on supply and demand. It was difficult to predict the price of resins. There was also impact from the on-going trade war between China and the United States of America. Cost of raw materials was a major cost component. When the cost of raw materials decreased, the Company would have a leeway to register a profit. The Company registered a profit in the first quarter of the financial year ending 31 January 2020.

There was impact from minimum wages. The minimum wages had risen from RM900 to RM1,100 in 2019 and the Company had to bear the additional cost of RM200 per foreign worker.

Question:

The current minimum wages was RM1,100 and the Malaysian Government had plans to increase the minimum wages to RM1,500. Has the Company prepared for this?

The Company's response:

The Company has invested in automation to cut down manpower requirement. In the past, the Company had 600 operators but it now has less than 200 operators. If minimum wages were to increase, the Company might consider negotiating with its clients for a price increase. The Company has adopted a pricing mechanism whereby the price of products would be reviewed once in every three (3) months and adjusted accordingly.

Question:

The Company incurred RM4.91 million for capital expenditure in the financial year ended 31 January 2019 despite a decline in the volume of business. What was the return of investment?

The Company's response:

The investment made in the financial year 2019 was in respect of machinery and moulds to increase the volume of production and to meet the specific requirements of two clients. Despite the downward trend, the Company had continued to invest as there were job opportunities.

The Company had lost some clients and this has resulted in a decrease in revenue. The Company would continue to strive to secure new clients.

Question:

The Company had an empty piece of land in the Mukim of Damansara with net book value of RM3.3 million as at 31 January 2019. Why did the Company continue to hold on to this land when sales was on the decline? It may be better to liquidate the asset.

The Company's response:

The land was adjacent to the location of other buildings belonging to the Company. There were plans to build a factory on that land some years ago but the plans had been postponed due unfavourable business environment.

Question:

This was not an appropriate time to expand but to cut costs. Maintaining the land for construction of building did not seem to match the Company's targeted efficiency level.

The Company's response:

The Company supplied to five industrial sectors, namely the pharmaceutical, body care, household, food and automobile sectors. The bottles supplied ranged from 5 millilitres to 5 litres. Although market sentiment was weak, the Company would take steps to regain market share. If the Company were to dispose of the land, it might not have sufficient space to expand in the future.

Question:

The Company has been paying dividends consistently every year and should not stop the trend of paying annual dividends. The Company could perhaps consider paying lower dividends or even dividend in specie so as not to lose the trend?

The Company's response:

The Company has decided not to declare dividend to conserve and strengthen its cash flow position for operations and avoid borrowing. The Board would give due consideration to the suggestion.

Question:

Were there any plans for diversification?

The Company's response:

There were no immediate plans for diversification as diversification was complex and required a lot of planning. The Company would continue to focus on stabilising the business performance.

Question:

What was the gratuity payment amounting to RM337,946 on page 46 of the Annual Report 2019?

The Company's response:

The gratuity payment was made to the late Executive Director. The payment was made in accordance with her employment contract.

Question:

How Expected Credit Loss ("ECL") on trade receivables was calculated since every client had different credit terms?

The Company's response:

The calculation was based on asset class of the trade receivables. The Company determined the probability of default of the receivable balance based on historical collection rates. The Company then evaluated and observed movement in each monthly receivable aging buckets for the past 4 years to determine the probability of default, loss given default and exposure at default for each aging bucket.

Question:

Was the formula used for ECL sufficiently prudent?

The Company's response:

The Malaysian Financial Reporting Standards has prescribed that when information which was more forward looking than past due status was not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. The Group applied the simplified approach and recognised lifetime ECL for those assets.

Question:

The Executive Directors did not receive any bonus for the financial year ended 31 January 2019. Were the employees paid any bonuses?

The Company's response:

The Company did not pay bonuses to the staff for the year. Bonuses would only be paid when the Company's performance was satisfactory.

Question:

With regard to the capital expenditure of RM4.91 million, did the clients guarantee their placement of orders with the Company? Will the Company be able to recover its investment in the capital expenditure?

The Company's response:

The Company's clients were mostly multinational companies. Many of these clients were long-time customers of the Company. The clients had invested a lot in the designs of their bottles and would retain the designs for a long period. It was important to incur capital expenditure to meet and satisfy the requirements of clients. Recovery would not be in the short-term. The Company would continue to seek opportunities to secure new clients and new jobs.

Question:

What were the Directors' benefits of RM20,000?

The Company's response:

The Directors' benefits were meeting allowances paid to the Independent Directors.

Question:

Were there any other benefits besides meeting allowances?

The Company's response:

The Independent Directors only received meeting allowances.

Question:

What was the reason for Deloitte PLT not seeking re-appointment as Auditors? Were the fees quoted by Mazars PLT, the incoming Auditors, the same as Deloitte PLT's? Did the Company consider other audit firms besides Mazars PLT?

The Company's response:

Deloitte PLT decided not to seek re-appointment at their own accord. There were some differences between the fees charged by Deloitte PLT and quoted by Mazars PLT. The Company reviewed the proposals from three audit firms before deciding to recommend Mazar PLT's appointment to the shareholders for approval.

Question:

Was there any timeframe to alter the existing Memorandum and Articles of Association of the Company?

The Company's response:

Based on Bursa Malaysia Securities Berhad's directive, all listed issuers were required to amend their constitutions by 31 December 2019.