

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING (“17TH 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 WEDNESDAY, 19 JULY 2017 AT 10.00 A.M.

Question:

What was the current trend of raw material prices?

The Company's response:

The price of raw materials had been increasing every month since the last quarter of 2016. However, there was a slight drop in June 2017. The weakening of Ringgit Malaysia has attributed to higher raw material prices because the raw materials were imported from the United States of America, Higher raw material prices has resulted in higher cost of production.

Question:

Could the higher cost of production be passed on to the clients?

The Company's response:

The Company has adopted a pricing mechanism whereby the price of products would be reviewed every three (3) months and adjusted accordingly.

Question:

Has sales volume decreased?

The Company's response:

The Company's business was dependent on the performance of the customers. There was an overall decline of 10% in sales volume last year.

Question:

Would there be an improvement in sales volume moving forward?

The Company's response:

The downward trend was expected to continue for now.

Question:

In view of the decline in sales and increase in the cost of raw materials, what strategies would the Company be adopting to improve its performance?

The Company's response:

The Company would continue to actively look for new clients.

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Question:

The performance of the Company's client, Nestle (Malaysia) Berhad ("Nestle"), has remained positive. Why has the Company's performance dropped?

The Company's response:

Nestle has a wide range of products in the market (from beverages to food). Not all their products were using the Company's products. The Company did not lose any customers during the financial year ended 31 January 2017. The business environment was challenging.

Question:

What actions have been taken by the Company to address the increasing costs?

The Company's response:

The Company would continue to invest in machinery and equipment to reduce manpower.

Question:

Would the Company consider using recycled resin rather to reduce the cost of raw materials?

The Company's response:

To ensure the quality of the plastic, the Company would not use recycled resin or second grade resin.

Question:

Would a lower capital expenditure be expected for the year ending 31 January 2018?

The Company's response:

This would very much depend on the price of the machinery the Company would be purchasing. The price of machinery has gone up tremendously over the years. As a long term strategy, the Company would invest in machinery to stay competitive in the market. Further, it would be beneficial to the Company if machinery could reduce the cost of manpower.

Question:

Was the Company affected by the recent shortage of labour?

The Company's response:

The impact on the Company has not been great. Generally, the Company still had sufficient worker.

Question:

What was the reason for the increase of other emoluments for the executive directors?

The Company's response:

Other emoluments for executive directors increased by RM183,547 (2017: RM1,083,117; 2016: RM899,570) due classification of expenses. Previously it was classified as employee's benefit instead of directors' remuneration. There was no actual increase in the executive directors' remuneration.

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Question:

What was the current production capacity?

The Company's response:

Around 70% to 80%.

Question:

According to the Management Discussion and Analysis in the 2017 Annual Report, the Company had ceased to be the supplier to one of the local players in the consumer toiletries market last year but added a new client to its consumer detergent portfolio. Has sales contribution from the new client been able to cover the loss of revenue from the lost client?

The Company's response:

The Company chose not to continue doing business with the lost client this year (not last year) due to unfavourable pricing. It was one of the top 5 clients of the Company. The lost client wanted the Company to reduce the price by half. It was not feasible for the Company to continue doing business with the lost client as the bottom line would be affected by the unfavourable pricing. Revenue from the new client could only cover 60% of the revenue from the lost client.

Question:

Why did the lost client ask for the price to be cut by half?

The Company's response:

The lost client compared the Company's price with other countries that were mass producing for them. Given the lower cost of labour and significantly higher number of orders (which was in millions) placed with them, they could offer a much lower price.

Question:

Would the Company maintain its dividend payment?

The Company's response:

It would depend on the Company's overall performance.

Question:

How long has Deloitte PLT been the Auditors of the Company?

The Company's response:

Deloitte PLT has been the Auditors since the listing of the Company in 2003. The Audit Committee has assessed the performance of Deloitte PLT and was satisfied that Deloitte PLT was fit to fulfil their duties effectively and has agreed to recommend the Board to table their re-appointment at the AGM.

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Question:

What were the criteria used by the Company to assess the performance of the Auditors?

The Company's response:

The Audit Committee took into consideration their independence, professionalism, availability of resources, constructive observation and recommendations on areas requiring improvements, amongst others factors.

Question:

There was a shortage of printed copies of the Company's Annual Report at the AGM. Has the Company reviewed the performance of Tricor Investor & Issuing House Services Sdn Bhd ("TIIH"), the share registrar of the Company?

The Company's response:

The Board and Management were satisfied with the services provided by TIIH. The Board noted the shortage of printed copies of annual report made available during the meeting and would ensure there are sufficient copies in the future.