



**Summary of Key Matters Discussed at Twentieth Annual General Meeting held on Friday, 23 September 2016, at 10.00 a.m.**

**Presentation on the overview of the performance of CAELY Group**

Presentation on the overview of the performance of CAELY Group for the financial year ended 31 March 2016, covering the following topics:-

- a) Caely group at a glance;
- b) Performance overview;
- c) Financial Snapshot; and
- d) Operational overview.

Mr Ng Kok Kiong, a proxy holder posed the following questions to the Board of Directors:-

- a) Referring to page 79 of the Annual Report, what is the reason for such a huge loss incurred in Direct Selling Segment (loss before tax of RM1.3 million) and would there be any plans to improve the existing situation?

In response to the question raised, Mr Loo replied that one of the reasons that sales from Direct Sales Segment has dropped was due to the implementation of Goods and Services Tax (“GST”).

He added that in the past, Manufacturing Segment sells the products to Direct Sales Segment, and thereafter Direct Sales Segment would then sell to trading buyers. However, due to the implementation of GST, Manufacturing Segment is now selling directly to trading buyers causing the sales in Direct Sales Segment to drop significantly.

With regards to the future plan for Direct Sales Segment, Mr Chuah Lim Tai (“Mr Chuah”), General Manager of Caely (M) Sdn Bhd’s Direct Selling Division stated that the Company is optimistic that there are opportunities of having in house brand in local market. He added that apart from Direct Selling, the Company is currently venturing into retailing, wholesale and trading business.

Mr Chuah further informed that the Company’s lingerie business has already been retailed in 17 Departmental Stores, the sales volume is increasing especially in Q1 2016.

Other than that, the Company has expanded its product lines whereby Lunavie was launched in May 2016 to cater to mummy and baby-friendly products for its customers. Thus, other than Caely which is selling bra and panty, targeted in Retailing and Departmental Stores businesses, the new product line, Lunavie would be focusing in mummy and baby products.

For Lunavie, the Company has ventured into those baby shops and targeting to gain sales volume from there. Mr Chuah added that the Company is targeting to expand Lunavie to Singapore and South East Asia Market once the sales in local market stabilised.

Mr Chuah continued to inform the shareholders that the Company has also ventured into e-commerce business, i.e. selling products on Lazada, Zalora and Shopee, which contributed 15% of the sales volume. In 2016, the Company is trying to minimise its losses to below RM0.5 million in year 2016 and subsequently to breakeven in year 2017 and then thereafter, to make profits in year 2018, via increasing sales volume and also scaling down operational cost.



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- b) For property segment, what is the sales volume of Casamas project?

In response to the question raised on the progress of Casamas project, Dato' Chuah Chin Lai, the Managing Director of the Company, explained that there are 126 units in total, whereby 39 units are kept for old buyers and out of the balance of 87 units, 48 units have been sold generating a total sales of RM2 million and leaving a balance of 39 unsold units due to the recent tightening of credit policies. Nevertheless, the said 39 units have already been fully booked and the Company is targeting to obtain the end financing from financial institutions by end of this year.

- c) Referring to page 46 of the Annual Report, what is the reason for the increase in 50% of the selling and distribution cost?

Mr Loo explained that due to the increase in revenue and thus the selling and distribution cost would increase accordingly. As a percentage of sales, the selling and distribution had decreased.

- d) Will the negative cash flow (from RM4.4 million to RM6.8 million) affect future dividend payout as stated in page 54 of the Annual Report?

The Chairperson responded that it would not affect future dividend payout. In fact, the Company has declared a single tier tax exempt final dividend of 1 sen per share for the financial year ended 31 March 2016.

- e) Which segment's collection is getting slow (based on the ageing of the Trade Receivables of RM7.6 million which is more than 121 days), referring to pages 97 and 118 of the Annual Report, as the "past due but not impaired" had increased as compared to prior year?

In reply to the question raised, Mr Loo commented that the said amount is mainly due to retention sum of construction contract amounted to RM8.3 million.

- f) Any new projects in hand and what is the status of bidding new projects with Government?

To the question raised, Mr Loo informed that discussion in relation to the new projects is still ongoing, once it has been finalised, the Company will make the necessary announcement to Bursa Malaysia accordingly.

- g) Any expansion plan on manufacturing or new product line?

Mr Loo further informed that the Company has already engaged with a sub-contractor in Myanmar. However, due to the recent increase in operating cost in Malaysia, the Company is considering setting up new plant in Myanmar in the near future. Nevertheless, it is still at the initial stage of discussion.



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- h) What is the reason for the drop in revenue in respect of exports to South Korea, Singapore and Japan in 2016 as compared to prior year?

The Chairperson commented that the Company has lost its Korean buyers and now replaced by other new buyers. As for Singapore, Mr Loo added that Singapore is not their traditional buyer and only traded with the Company on ad hoc basis. Moreover Singapore market is very small, thus the Company would not expect huge revenue to be generated from Singapore market. He further added that the Company's main traditional buyers consist of United States and Europe. With regards to the drop in export to Japan, the Chairperson explained that it was mainly due to the setting up of its factory in Myanmar.

**Agenda 1: To receive the Statutory Financial Statements for the financial year ended 31 March 2016 together with the Directors' and Auditors' Reports thereon**

In response to the query raised by Encik Ahmad Ibrahim, a shareholder of CAELY, the Chairperson informed that the Company did not receive any query from Minority Shareholder Watchdog Group.

The Board also took note the request from Encik Ahmad Ibrahim, to consider including 5 years financial statistics either in next year's presentation slide or the 2017 Annual Report.

Encik Ahmad Ibrahim brought the Meeting's attention to page 46 of the Annual Report. He enquired the reason that the Company's profit from operations is higher than the Group's profit from operations.

To this, Mr Loo commented that as the Company, which is CAELY, is an Investment Holding Company whereby the main income is dividend received from its subsidiaries, amounted to approximately RM13.5 million. As it is considered as inter-company transactions, thus it would be eliminated in the preparation of consolidated accounts.

Mr Siow Hock Lee ("Mr Siow"), the Independent Non-Executive Director of the Company, concurred with Mr Loo's comments and added that from Group point of view, as the dividend income declared by subsidiaries are transactions within the Group, they would not be counted and hence, eliminated according to the accounting treatment on consolidation.

Encik Ahmad Ibrahim further enquired that as per page 79 of the Annual Report, which segment of the figure for "Deferred Tax Asset", "Tax Recoverable", "Deferred Tax Liabilities" and "Current Tax Liabilities" belongs to. Mr Siow informed that the figures were under "Unallocated Corporate Assets" and "Unallocated Corporate Liabilities" whereby it would not be specified to the respective reportable segment and it is not required based on the accounting standard.

To this, Ms Loh Lay Choon, from Messrs PricewaterhouseCoopers concurred with Mr Siow's comments and added that under the accounting standards, tax is cut across the Company and does not go by segment. If the Company would like to allocate to a certain segment, it would involve a lot of efforts and no real value add to the shareholders. Furthermore, there were no requirements to further split the figure according to segments.



**CAELY HOLDINGS BHD (Company No. 408376-U)**

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**Agenda 2: Ordinary Resolution 1: To approve the payment of a single tier tax exempt final dividend of 1 sen per share, for the financial year ended 31 March 2016**

In response to the question posted by Encik Ahmad Ibrahim, the Chairperson informed that the Company would consider increasing the dividend payout in future if the Group achieves higher profits and if cash flow permits.

**Agenda 7: Ordinary Resolution 8: To approve the continuation in office of Mr Siow Hock Lee as an Independent Non-Executive Director**

Mr Ng Kok Kiong commented that in regards to the three (3) Independent Non-Executive Directors who had served the Board for more than nine (9) years, whether the Board of CAELY will consider to source for other candidates to replace the three (3) Independent Non-Executive Directors given that they might not be independent enough to carry out their fiduciary duties in the interest of the Company and shareholders without being subject to influence of management.

In reply to the above question, Mr Hem Kan @ Chan Hong Kee informed that, as the Chairman of Nomination Committee (“NC”), he agreed to and understood Mr Ng Kok Kiong’s concern. He further added that in future, the three (3) Independent Non-Executive Directors shall retire by rotation once the Company is able to source for suitable, qualified and right candidates for replacement.

However, he stated that the NC had conducted an annual assessment on the performance of the three (3) Independent Non-Executive Directors. In order to evaluate the level of independency, the three (3) Independent Non-Executive Directors are required to complete the evaluation form prepared by the Company Secretary.

He continued to inform that during the evaluation, the respective individual Independent Non-Executive Directors excused themselves from the Meeting so that the NC could evaluate their independency in order to ensure that the evaluation had been done comprehensively and fairly.

He also informed that the NC noted that the Independent Non-Executive Directors had acted independently in carrying out their fiduciary duty for the interest of the Company and the Shareholders without being influenced by the Management during their tenure as Independent Non-Executive Directors.

**Agenda 8: Ordinary Resolution 9: To approve the authority to allot shares pursuant to Section 132d of the Companies Act, 1965**

Mr Ng Kok Kiong posed his query whether the Company would consider allotting new shares for the Company for any possible fund raising exercise since the cash flow of the Company is negative. To this, the Chairperson replied that the Board of Directors would take note of the suggestion however it would very much depends on market condition and right timing to raise funds required by the Company.