

## **SYF RESOURCES BERHAD**

(Registration No. 199501035170 (364372-H))

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FOURTH (24TH) ANNUAL GENERAL MEETING OF SYF RESOURCES BERHAD (“SYF” OR “THE COMPANY”) HELD AT EMERALD 1 ROOM, RHR HOTEL @ KAJANG, WISMA MKH, JALAN SEMENYIH, 43000 KAJANG, SELANGOR ON WEDNESDAY, 8 JANUARY 2020 AT 10.00 A.M.

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Present : Dato’ Sri Ng Ah Chai  
Dato’ Sri Chee Hong Leong, JP  
Mr Ng Wei Ping  
Datuk Mohamed Arsad Bin Sehan  
Dato’ Mohamad Azmi Bin Ali  
Dato’ Abdul Rashid Bin Mat Amin

In Attendance : Company Secretary: Boardroom.com Sdn. Bhd.  
External Auditors: Messrs. UHY  
Poll Administrator: Tricor Investor & Issuing House Services Sdn. Bhd.  
Scrutineer: Asia Securities Sdn. Bhd.  
Shareholders, Proxies and Corporate Representatives are as per the print out prepared by the Poll Administrator/Company’s Share Registrar  
Senior Management and other guests/invitees are as per the attendance list.

### **SUMMARY OF KEY MATTERS DISCUSSED**

The Audited Financial Statements of the Company and of the Group for the financial year ended 31 July 2019 (“FYE 2019”) together with the Reports of the Directors and Auditors thereon (“Audited Financial Statements”) were tabled to the shareholders for discussion.

The Chairman informed the Meeting that the Company received a letter from the Minority Shareholders Watch Group (“MSWG”) dated 2 January 2020 and the Company’s responses which were displayed on the screen during the meeting were as follows:

#### **Strategy & Financial Matters**

- 1] Financial performance of the Company continued to be affected by downsizing of the downstream activities of rubberwood furniture segment with a year-on-year decrease in revenue of RM6.68 million for the quarter ended 31 October 2019. In addition, SYFs property development segment also did not contribute significantly during the quarter due to the completion of major developments in FY2019 (Quarterly Financial Statement dated 17 December 2019).
- a] Given the challenging environment in both upstream furniture and property development segments, what is the near-term prospect and outlook of the Company?

#### ***ANSWER:***

**The Group will continue to operate the upstream rubber wood processing segment. At the same time, we recognize the challenges of the 2020 operating environment and the group will certainly**

continue to streamline the manufacturing facilities to achieve cost saving and improve efficiency to strike for better performance.

As for the property development segment, we are currently actively sourcing for suitable property projects with a shorter time frame to launch.

b) When does the Company expect the impact of downsizing of downstream furniture segment to be normalized?

**ANSWER:**

The impact of the downsizing of the downstream bedroom segment has been reflected in the last financial year while the downsizing of the dining segment will be completed over the next few quarters.

2) The upstream activities remain as SYF's main contributor in terms of revenue, while waiting for a recovery in the property market (page 18 of AR2019).

a) What is the strength of SYF in upstream rubberwood processing segment that will enable it to seize more opportunities pending a recovery in business condition of other segment?

**ANSWER:**

SYF has been in the upstream rubber wood processing industry for more than 25 years and we are among the top players in this industry. With the experience and strength, we are well equipped and prepared for any opportunities that may arise. However, this segment has been in decline as furniture manufacturers have been increasingly using cheaper substitute materials to replace solid rubberwood.

b) What are the risks and opportunities available in the upstream material processing segment? What are the catalysts for the segment?

**ANSWER:**

The risks in the upstream materials processing segment are shortage and rising cost in both foreign workers and raw materials. However, this is comparatively a more stable segment with not much excitement but in a declining trend in long term.

3) The Company is facing the issue of stability of raw material supply and cost.

Given the total planted area of natural rubber only expanded by compound annual growth rate of 0.67% from 2010 to 2018 (from 1.02 million in 2010 to 1.083 million hectares in 2018. Source: Malaysian Rubber Board), against strong furniture sales in both local and overseas market.

How will this scenario impact the upstream processing segment of the Company?

**ANSWER:**

Malaysia's furniture sales are not all wooden base but also includes furniture made from other materials such as leather, fabric and metal-based. Due to cost consideration, the majority of the new entrants to wood-based furniture are using more economical substitute materials like chipboard, medium density board and etc. As such, our upstream processing segment mainly cater for our pool of existing customers.

**In addition, we are taking proactive actions such as tendering rubberwood concession rights to extract rubber log and setting up additional materials collection centers near to the resources to ensure the continuing supply meet our quality requirements. At the same time, we also source new wood suppliers to mitigate the supply risk.**

- 4) The Company spent RM2.5 million in FY2019 for liquidated damages due to the delay in delivery of vacant possession for the Lavender project due to difficulty in obtaining approval from authorities.

What were the difficulties faced by the Company? What can be done by the Company to reduce such risks in the future?

**ANSWER:**

**The difficulty faced by the Company was obtaining the clearance letter from Syabas, the local water supplier, pursuant to the process of obtaining the Certificate of Completion and Compliance. Water demand surged in the past few years due to mushrooming of property projects in the State of Selangor. Consequently, the mismatching of water supply and demand has affected all property developers in the State of Selangor.**

**However, the Company will proactively engage with all respective authorities to mitigate and reduce such risks in future.**

- 5) The new minimum wage of RM 1,200 per month came into effect from 1 January 2020 in 57 major towns. What is the impact in terms of cost and supply of labour arising from the new policy?

**ANSWER:**

**The new policy will definitely increase our labour cost. However, the Group will continue the effort to increase the productivity of the upstream rubber wood processing segment through automation and improve production flow efficiency to mitigate the impact.**

- 6) As stated on page 118 of AR2019, trade receivables amounting to RM18.77 million out of total trade receivables of RM92.21 million was past due for more than 60 days. What is the nature of these receivables? What are the chances of recovery of these outstanding receivables?

**ANSWER:**

**The outstanding of RM18.77 million were mainly derived from the property buyers who's pending for the approval of their end financing loan applications. In the current market, the banks are more stringent and require a longer period for approval.**

**Corporate Governance Matters**

- 1) Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

a) Practice 1.3 - The positions of Chairman and CEO are held by different individuals.

SYF's response: Departure

MSWG's comment: Apart from being the executive chairman and CEO of SYF, Dato Sri Ng Ah Chai also sits on the Board of Mieco Chipboard Berhad as the group managing director.

The two executive board positions in two PLCs may be a drain on his time and focus and there may be risks of conflict of interest. How does the Board address these concerns and risks?

The Company has also departed from complying with Practice 4.1 of MCCG which states that at least half of the board comprises independent directors to promote more effective oversight of management.

**ANSWER:**

**The Board take note of the dual position held by Dato' Sri Ng Ah Chai in SYF, and will consider the segregation of the two position.**

**Apart from his positions in SYF, Dato' Sri Ng is also the Group Managing Director of Mieco Chipboard Berhad. Dato' Sri Ng is able to manage and cope with being on 2 Public Listed Companies ("PLCs"), as the manufacturing business of both PLCs are related in nature. Furthermore in SYF property division, he is supported by two other executive directors.**

**The risk of conflict of interest is well managed as all related party transactions are undertaken on arms' length and in accordance with all prevailing statutory rules and regulations.**

b) Practice 7.1 - There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

SYF's response: Applied

MSWG's comment: Appendix 9C Part A (11) of the Main Market Listing Requirements requires the disclosure of the remuneration for each director of the listing issuer (including the remuneration for services rendered to the listed Issuer as a group) during the financial year on a named basis.

The disclosure must include the amount in each component of the remuneration (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value) for each director on annual report.

As stated on page 30 of AR2019, the Company did not provide a breakdown of the salary and other emoluments include the meeting allowance for directors. As such, the Company has not complied with the Main Market Listing Requirements.

Please provide the details.

**ANSWER:**

The Board of Directors noted the requirement of Main Market Listing Requirement to disclose the breakdown of the salary and other emoluments. The Company will further enhance the disclosure for future compliance on this section.

The breakdown of the salary and other emoluments received by each Director is set out the tables below:

<i>Directors</i>	<i>Fees (RM)</i>	<i>Salary (RM)</i>	<i>Bonus (RM)</i>	<i>Allowance (RM)</i>	<i>Statutory contribution (RM)</i>	<i>Total (RM)</i>
<i>Dato' Sri Ng Ah Chai</i>	-	1,320,000	150,000	60,000	184,429	1,714,429
<i>Dato' Sri Chee Hong Leong, JP</i>	-	252,000	60,000	60,000	45,469	417,469
<i>Ng Wei Ping</i>	-	189,600	50,000	-	29,581	269,181
<i>Datuk Mohamed Arsad Bin Sehan</i>	36,000	-	-	13,500	-	49,500
<i>Dato' Mohamad Azmi Bin Ali</i>	42,000	-	-	13,500	-	55,500
<i>Dato' Abdul Rashid Bin Mat Amin</i>	36,000	-	-	12,000	-	48,000
<i>Dato' Wong Gian Kui</i>	-	-	-	4,500	-	4,500

2) Chapter 9, Paragraph 9.21 (2) (b) of the Main Market Listing Requirements (MMLR) requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company's website.

We could not access the corporate website of SYF Resources (<https://www.syf.com.my>) on 2 January 2020. Please explain.

**ANSWER:**

There is no Key Matters Discussed in the previous AGM. Anyhow, we take note on the requirement and will publish the summary of Key Matters Discussed in this AGM onto our website.

Our server was having a scheduled maintenance on 2 January 2020. The server is back to normal on 3 January 2020.

Following a Question and Answer session between the shareholders and the Directors, the following salient points were covered:

**AUDITED FINANCIAL STATEMENTS AND REPORTS**

A shareholder, En Ahmad Ibrahim ("En Ibrahim") commented that for FYE 2019 the loss after tax for the Group has increased to RM44 million compared to RM14 million in financial year ended 31 July 2018 ("FYE 2018"). He further commented that the Company should consider giving dividends to the shareholders based on the RM800 million revenue generated by the Group for FYE 2019. He also said that the Board should be aware of Practice 1.3 and Practice 7.1 of the Malaysian Code on Corporate Governance and it should have been complied with. He also requested for the Company to prepare a brief presentation on the Company's business overview for the shareholders at all upcoming AGMs.

The Chairman replied that the RM800 million revenue was actually total gross development value ("GDV") from all development projects completed under the Group's property development segment from day 1 until FYE 2019. It was not a profit. As the Group had downsized the furniture segment, it had affected the Group's profit. The Board will consider declaring dividends once the Group achieved

better performance. As for Practice 1.3, whereby the positions of Chairman and CEO are not held by different individuals was due to a cost saving decision as appointing an Independent Non-Executive Chairman would require the Company to pay more directors' fees. The Board was considering the segregation of the two positions. As for Practice 7.1, the Company noted the requirements under the Main Market Listing Requirements and will further enhance the disclosure for future compliance on this Practice 7.1.

A corporate representative from MSWG, Ms Lim Cian Yai ("Ms Lim") conveyed her thanks for replying their queries. Further to the Company's response to the MSWG's query on Practice 1.3, she asked the Board to consider appointing an Independent Non-Executive Chairman from the current Board if the cost of directors' fees was the Company's concern. She also asked if there would be impairment on inventories in the current financial year due to the downsizing of the furniture segment and updates on the property segment after acquiring Giat Armada Sdn Bhd.

The Chairman replied that the Board was still considering separating the two positions before the next Annual Report 2020. Impairment on the inventories may happen in the current and any impairment made would be explained in the financial report. The Chairman said that as the policy to hire foreign labours were not stable and it had affected the Group in terms of increase of labour cost, the Company decided to downsize the furniture segment. As for the property segment, after surveying the land held by Giat Armada Sdn Bhd and the whole Semenyih area, there were challenges to launch the project immediately. The Company is looking into other options like joint venture in the meantime which can be launched immediately to bridge the gaps for the property development segment to continue contributing revenue and profit to the Group and generate additional income to supplement the rubberwood furniture business.

**ORDINARY RESOLUTION 1**

**TO APPROVE THE PAYMENT OF DIRECTORS' FEES TO THE NON-EXECUTIVE DIRECTORS UP TO RM114,000 FOR THE FINANCIAL YEAR ENDED 31 JULY 2019**

En Ibrahim asked the Board to explain the increase of directors' fees from the previous financial year, if there is.

The Chairman explained that there was no increase of directors' fees from the last financial year. The amount of RM114,000 was the same amount paid for the previous FYE 2018.

Ms Lim asked for the reason the Company gave bonuses to the Executive Directors when the Company was making a loss for FYE 2019.

The Chairman replied that the bonuses paid was for the performance of the Group in FYE 2018 and was recorded in the FYE 2019 reports accordingly. There would not be bonuses paid to the Executive Directors for this financial year ending 31 July 2020.