

SYF RESOURCES BERHAD

[Registration No. 199501035170 (364372-H)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FIFTH (25TH) ANNUAL GENERAL MEETING (“25TH AGM”) OF SYF RESOURCES BERHAD (“SYF” OR “THE COMPANY”) HELD LIVE FROM BROADCAST VENUE AT MEETING ROOM, NO. 1, BLOCK C, JALAN INDAH 2/6, TAMAN INDAH, BATU 11 CHERAS, 43200 SELANGOR ON THURSDAY, 7 JANUARY 2021 AT 10.00 A.M.

PRESENT:

AT BROADCAST VENUE

Datuk Mohamed Arsad Bin Sehan
(Independent Non-Executive Chairman)
Dato’ Sri Chee Hong Leong, JP (Executive Director)
Mr Ng Wei Ping (Executive Director)

VIA VIDEO CONFERENCING

Dato’ Sri Ng Ah Chai (Managing Director)
Dato’ Wong Gian Kui (Non-Independent Non-Executive Director)
Dato’ Mohamad Azmi Bin Ali (Independent Non-Executive Director)
Dato’ Abdul Rashid Bin Mat Amin (Independent Non-Executive Director)

POLL ADMINISTRATOR:

Propoll Solutions Sdn. Bhd.

SCRUTINEERS:

Symphony Merchant Sdn. Bhd.

IN ATTENDANCE:

Ms Heidi Thien Lee Mee (Company Secretary)

BY INVITATION:

Mr Lee Oon Kar (Financial Controller)

1. CHAIRMAN

Datuk Mohamed Arsad Bin Sehan (“Datuk Chairman”) chaired the 25th AGM.

Datuk Chairman informed that in support the Government of Malaysia’s (“the Government”) ongoing efforts to contain the spread of the Covid-19 pandemic and the Government’s advice of not having mass gatherings, the 25th AGM of the Company is conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting (“RPV”) Facility. This is in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 and as revised or amended from time to time.

He introduced the members of the Board and the Company Secretary, who were participating at the Meeting from the Broadcast Venue as well as the members of the Board and the Management team, who were participating at the Meeting remotely.

2. QUORUM

The requisite quorum being present, Datuk Chairman declared the Meeting duly convened.

The Meeting was informed that in line with Paragraph 8.29A of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, all the proposed resolutions set out in the Notice convening the Meeting dated 30 November 2020 (“Notice”) shall be voted by poll.

3. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON (“AFS 2020”)

With the consent of the members present, the AFS 2020 having been circulated within the prescribed period was with the permission of the Meeting taken as read. The Meeting noted that this agenda item was meant for discussion only and does not require a formal approval of shareholders and hence, would not be put forward for voting.

Datuk Chairman informed that the Company had on 31 December 2020 received the questions from Minority Shareholders Watch Group (“MSWG”). The questions raised by MSWG relating to several matters covering areas in relation to operational and financial matters as well as corporate governance of the Group.

The questions and answers were read out and flashed on the screen for the benefits of the members present virtually set out below:

Operational & Financial Matters

- 1) The Company has been in a loss-making position for the last 3 financial years. (FYE 2018 to FYE 2020)

For FYE 2020, the Company managed to reduce its after tax loss position from RM44 million in the previous year to RM19.8 million.

What are the measures being taken by the Company to ensure that it returns to profitability in FYE 2021?

Answer:

The Group has returned to profitability in Q1FY2021 (revenue of RM82.3 million and net profit of RM1.03 million) with the maiden contribution recognised from the on-going Alstonia Residence Project, being developed by the newly acquired subsidiary, Darul Majumas Sdn Bhd.

Over the past two years, the Group had been actively downsizing and rationalising loss-making manufacturing activities to reduce cost and increase efficiency.

Going forward, SYF will continue to seek viable business opportunities that can contribute to its future profitability.

- 2) The Company's ongoing property development projects have all been completed in FYE 2020. (Page 20 of AR 2020). It has recently acquired a 75% stake in DMSB which is involved in the development of Alstonia Residences, a project with the Gross Development Value (GDV) of RM307.8 million.

What is the Company's strategy in this segment as the pandemic has resulted in weakness in demand for property. Does the Company have any plans to exit the property development segment in view of the persistent weakness in overall demand?

Answer:

SYF strategy is focus on-

- **Intensive use of digital platforms and social media to promote product and generate qualified sales leads.**
- **Appoint more aggressive real estate companies with proven track record to promote the product.**

The Company does not have any plan to exit the property development segment, instead the Company will study the feasibility of every new project prudently and ensure such projects fit the criteria of being in line with market demand and with the ability to raise end-financing.

- 3) SYF has been scaling down its downstream rubberwood manufacturing operations in view of the downtrend in demand and rising operations cost. (Page 20 of AR 2020)

It has been focusing on the upstream business of rubberwood manufacturing. Among its products include kiln-dried timber, laminated board, moulded timber and finger-joint strips.

- a) What are the estimated losses if the Company completely exits the downstream business of rubberwood manufacturing?
- b) The domestic market has been the focal point of the Company's marketing efforts in FYE 2020. Does the Company have plans to extend its marketing efforts to source for export markets for its upstream products?

Answer:

a) In the event the Group completely exit the downstream business of rubberwood manufacturing, the losses will be dependent on the assets value that can be realized.

b) Yes, we are always exploring for new markets, including export market if the opportunity is available.

- 4) The Company depends heavily on foreign workers to run its rubberwood and property development businesses. (Page 20 of AR 2020)

In view of the Governments move to tighten the hiring of foreign workers, what are the steps taken by the Company to mitigate this move?

Answer:

Over the past few years, the Group has reduced the foreign work force by almost 40% as a result of downsizing and rationalizing of manufacturing segment.

As for the property development segment, we outsource the construction activities to third party sub-contractors.

- 5) Deposits written off rose sharply in FYE 2020 from RM67,000 in FYE 2019 To RM607,000. (Page 73 of AR 2020)

What is the nature of these deposits and the reasons for the sharp increase?

Answer:

The deposit written off were mainly paid to local authorities, i.e. Majlis Perbandaran Kajang that related to multiple property development projects carried out since year 2012, such as for building plan submission, earthwork, street lights system, infrastructure plan submission etc. Even though the deposits were written off, efforts are being undertaken to recover the said sums.

Corporate Governance

- 1) Practice 4.1 of the Malaysian Code of Corporate Governance stipulates that at least half of the Board has to be made up of Independent Directors.

We note that as of June 30, 2020, only 3 out of the 7 Company's directors are independent. This represents only 43% and this does not comply to the Practice.

Does the Company intend to comply with this Practice and if yes, by when?

Answer:

The Company has complied with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to have at least 2 Directors or 1/3 of its Board, whichever is higher, to be Independent Directors.

However, the Board take recognizance of Practice 4.1 of the Malaysian Code of Corporate Governance and endeavour to comply with the best practice if a suitable candidate comes along.

- 2) The total fee for the internal audit function of the Company during the financial year ended 31 July 2020 was RM17, 300 (Page 42 of AR 2020)

Given that the fee is rather small (approximately RM1, 441 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?

What are the areas covered by the internal auditors during the financial year ended 31 July 2020? How many internal audit reports were issued during the said period?

Answer:

The total fee for the internal audit function of the Company during the financial year ended 31 July 2020 was RM17,300 as the internal audit plan was disrupted by MCO.

There was one internal audit report issued during the financial year on “the collection process of the property development segment” which covered:

- ***Formalized policies and procedures***
- ***Credit review of new and existing customers***
- ***Sales and collection process***
- ***Management of progress billings***
- ***Outstanding debtor balance.***

The key question that was raised by the shareholder was adequately responded and addressed by the Board:

- 1) Please share the outlook for both segments in FYE21.

The Executive Director, Dato’ Sri Chee Hong Leong replied that the Company decided to downsize further of the furniture and timber segments as the businesses were unstable. As for the property development segment, Alstonia Residence continues contributing revenue and profit to the Group for the FYE 2021. In the meantime, the Company would continue looking for new opportunities for the property development segment that could contribute the profitability.

It was recorded that the AFS 2020 were properly laid and had been duly received.

4. VOTING RESULTS

After all the questions raised had been dealt with, the resolutions set out in the Notice were put to vote by way of poll. Datuk Chairman then announced the results of the poll and declared that all the resolutions set out therein were duly passed by the shareholders and proxies present.