

CLASSIC SCENIC BERHAD (633887-M)
(Incorporated in Malaysia)

Minutes of the Fifteenth (15th) Annual General Meeting (“AGM”) of the Company held at the Kiara Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Wednesday, 23 May 2018 at 10.00 a.m.

Present : As per attendance sheet

1. QUORUM AND NOTICE OF MEETING

Upon confirmation by the Company Secretary that a quorum was present, Mr Lim Chee Keong, the Executive Chairman, called the meeting to order.

2. CHAIRMAN OF AGM

Upon the proposal by Mr Lim Chee Keong which was seconded by a shareholder present at the meeting, Ms Chow Chooi Yoong, the Independent Non-Executive Director, was elected to chair the AGM.

Ms Chow Chooi Yoong, the Chairperson, addressed the meeting and before proceeding with the business of the AGM, she informed the members that Mr Lee Kong Weng, the Independent Non-Executive Director, extended his apologies for not being able to attend the meeting due to some urgent matters.

Ms Chow then declared the meeting duly convened as the Notice of the AGM dated 24 April 2018 had been circulated to all members of the Company in accordance with the Company’s Articles of Association.

Upon the proposal by Ms Chow Chooi Yoong and seconded by Mr Koh Eng Son, a proxyholder, the Notice of the meeting was taken as read.

Before proceeding with the Agenda of the AGM, the Company Secretary was called upon to explain the proceedings of the meeting and voting procedures to the shareholders.

The Company Secretary informed the shareholders that the businesses to be transacted in the AGM involve the moving and passing of seven (7) proposed Ordinary Resolutions which require the approval of a simple majority of the members or their proxies present and voting.

She said each of the seven (7) proposed Ordinary Resolutions would require one proposer and a seconder before the motions were put to the floor to vote; and that pursuant to the Listing Requirements of Bursa Malaysia any resolution set out in the notice of any general meeting or notice of resolution must be voted by way of poll.

The Company Secretary informed the meeting that in order to have smooth proceedings, the meeting would proceed with the questions and answers session and after having each of the motions properly proposed and seconded accordingly, the poll voting would commence immediately thereafter.

3. AUDITED FINANCIAL STATEMENTS, DIRECTORS’ AND AUDITORS’ REPORTS FOR THE YEAR ENDED 31 DECEMBER 2017

Before the Company’s Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditors pursuant to Section 340(1)(a) of the Companies Act 2016 were tabled before the Members and to be received by the Members present at the meeting, the following questions were raised by shareholders/proxyholders present at the AGM; and answers provided in response to those questions are as stated below :

I. Mr Koh (Proxyholder) posed below questions Q1 to Q9 :

- Q1. Page 8 of the Annual Report: How is the management going to control the increase of raw material and labour costs?
- Q2. Page 8 of the Annual Report: You mentioned prudent talent management strategies, please elaborate?
- Q3. Page 9 of the Annual Report: You conducted “annual customer satisfaction survey”, please share your findings and the outcome?
- Q4. Page 10 of the Annual Report: Dividend policy is 50%, any chance to increase this dividend policy percentage to higher value? If not, why?
- Q5. Revenue of 26% is Asia Pacific countries, include Malaysia and Australia only?
- Q6. In your breakdown, 70% is U.S.A., 26% is Asia Pacific, what about Canada, Europe and China markets? Any reason why we did not go into these countries?
- Q7. Page 35 of the Annual Report: “Net Cash from operating activities”- “Group Column” There is a significant drop of 64% (RM18.7 million to RM6.7 million). As compared to the “Gross Profit Margin”, the decrease is only 5% (from 43% in 2016 to 38% in 2017). Can you explain the difference?
- Q8. Page 36 of the Annual Report: What is “Highly liquid investments with non-bank financial institutions”? Do you mean “non-bank financial institutions” means loan shark company business?
- Q9. Please share future plans (Year 2018 to Year 2020 and onwards)?

A1. Mr Lim Chee Hwa, the Executive Director replied :

Material costs: We would continue to source less expensive alternative materials and timbers. As sawn timber price has been rising, we optimized and reduced wastage on usage of raw materials and this was done by using advance technology machinery to cut and process timber raw materials.

Labour costs: We have been increasing production automation to reduce the number of workers in order to lower labour costs and improve efficiency.

A2. Ms Lim Kim Lee, the Chief Executive Officer (“CFO”) replied :

The Group has managed to retain management, production and supervisory staff and averagely the employees have been with the Group for more than 10 years. Every 2 years, we would conduct staff survey to understand their objectives, desire, satisfaction and career expectations. Human Resource would also have dialogues with the staff and then the management would take the necessary actions to improve employees’ satisfaction level. Beside the employees’ emoluments and benefits, the management also emphasizes work-life balance, hence, we do not overload staff but allocate/assign evenly the tasks among the staff.

The CFO said younger staff have remained with the Group for more than 3 years while she has been with the Company for 15 years, due to the in place talent management strategy taken by the management.

We also have incentive strategy, i.e. savings contributed by the workforce, it would be shared proportionately with them. This was to encourage the staff to strive for better performance.

Mr Lim Chee Hwa, the Executive Director replied to Q3 to Q6 :

- A3. The annual customer satisfaction survey was to gauge our customer satisfaction level on the services provided, product quality and product pricing. On the overall, customers were satisfied with us and some had ranked us 5, i.e. full mark. We did not have any major issues with our major customers.
- A4. Our dividends payout over the years had never been less than the 50% dividend policy, the Company had been paying almost 100% each year.
- A5. 75% to 80% of our revenue were from the U.S.A. and Canada, the rest & were from Japan, Hong Kong, Australia and Europe – Norway, Belgium
- A6. and the United Kingdom. Currently, the Group did not sell its premium products in China as consumers in China demand for cheaper moulding which product quality is lower. We have not penetrated Africa or South America.

Ms Lim Kim Lee, the Chief Executive Officer (“CFO”) replied Q7 & Q8:

- A7. The decline in “Net Cash from operating activities” was mainly due to operating cash movements of the following items :
 - replenish of stock/inventories level to cater for surging customer orders and it had resulted a cash outflow of RM2.4 million
 - increase in amount owing by customers as a result of higher export
 - higher net unrealised foreign exchange gain, which mainly was unrealized fair value gain from forward foreign currency contracts, was adjusted from the cash flows
- A8. The highly liquid investments referred to cash placements in trust fund with reputable non-bank financial institutions such as UOB Bank Malaysia Berhad. The asset allocation of the trust fund which the Group placed-in were 100% money market funds. The reason for such placements was for tax saving benefits as all interests earned from the trust fund were fully tax exempted.
- A9. Mr Lim Chee Hwa, the Executive Director replied Q9 :

The future plans for the next 3 years were stated as follows:

- find ways to improve operational efficiency
- explore and go into more lucrative markets
- bring down raw materials cost through procurement optimization strategy
- invest more in production automation to bring down labour cost
- explore the possibility of acquiring smaller companies with similar business for expansion but this would require detailed study and time
- had discussion with and encouraged our biggest customer, Michael’s Store which had started selling online, to sell in China by setting-up stores in China. This would help us to grow our business and also to penetrate the market in China, indirectly.

II. Mr Wha Kien Loy (Shareholder) posed below questions Q10 to Q13:

Q10. Mr Wha Kien Loy (Shareholder)

Why was there no disclosure on Directors' remuneration in the Corporate Governance Overview Statement ("CG Overview Statement")?

A10. Ms Wong Youn Kim, the Company Secretary replied Q10.

Ms Wong said details on Directors' remuneration were disclosed on page 30 – Practice 7.1 of the Corporate Governance Report ("CG Report").

The CG Overview Statement should be read together with the CG Report which had been uploaded/submitted to Bursa Malaysia Securities Behad ("Bursa Securities") together with the Annual Report 2017 on 24 April 2018.

The CG Report was also available at the Company's website.

She explained the CG Overview Statement and CG Report were new requirements by Bursa Securities where listed issuers were required to prepare these 2 documents beginning with the financial year ended 31 December 2017 and onwards.

Q11. How did the Company hedge against foreign currency and what is the percentage of foreign labour?

A11. Ms Lee Kim Lee, the CFO replied Q11 :

90% of our revenue was from exports. Our policy was to hedge approximately 60% to 75% of the export proceeds for up to 9 months and we would also consider the product costing and external market factors.

Currently, the Group has a mix of foreign and local employees at 60% and 40% respectively.

Q12. High trade receivables, is it collectable?

A.12 Ms Lim Kim Lee, the CFO replied Q12 :

We did not have any major problems with our customers in the past and this was evidenced by the low trade receivables impairment losses.

Q13. Why the high inventory?

A13. Mr Lim Chee Hwa, the Executive Director replied Q13 :

We sourced timber from Malaysia whilst the finishing, such as paints and lacquers, was imported from Europe. We also imported timber in small quantity from overseas.

Last year inventory level was quite high as it was a strategy to ensure that we have adequate raw materials, especially timber, for our products supply. High level of inventory would be good as it would ensure that we would be able to meet our surging customers' orders unlike our competitors who could not due to low timber inventory level. High inventory would also serve to lessen the adverse impact of timber price hike. We have approximately 6 to 8 months of timber inventory.

Upon the completion of the questions and answers session, Ms Chow Chooi Yoong declared that the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors Reports were taken as laid before the shareholders pursuant to Section 340(1)(a) of the Companies Act 2016.

4. **DIRECTORS' FEES**

Ordinary Resolution 1 – Approval of Directors' fees and benefits amounting to RM67,500/- in respect of the financial year ended 31 December 2017 was tabled before the meeting.

Upon Ordinary Resolution 1 being duly proposed by Mr David Poh and seconded by Mr Koh Eng Son, the motion to approve Directors' fees and benefits amounting to RM67,500/- in respect of the financial year ended 31 December 2017 would be voted by way of poll.

5. Ordinary Resolution 2 – Approval of Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM120,000/- from 1 January 2018 until the next Annual General Meeting was tabled before the meeting.

Upon Ordinary Resolution 2 being duly proposed by Mr David Poh and seconded by Mr David Chan, the motion to approve Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM120,000/- from 1 January 2018 until the next Annual General Meeting would be voted by way of poll.

6. **ELECTION OF DIRECTORS**

Ordinary Resolution 3 – Re-election of Mr Lee Kong Weng was tabled before the meeting.

Upon Ordinary Resolution 3 being duly proposed by Mr David Chan and seconded by Mr Koh Eng Son, the motion to re-elect Mr Lee Kong Weng who retired pursuant to Article 92 of the Company's Articles of Association would be voted by way of poll.

Before the meeting proceeded to the next agenda, i.e. Ordinary Resolution 4 - Re-election of Ms Chow Chooi Yoong, the chairing of the AGM was passed to Mr Au Thin An @ Low Teen Ann, the Independent Non-Executive Director as Ms Chow Chooi Yoong was the subject matter of the next agenda.

Mr Au Thin An @ Low Teen Ann took over the Chair and proceeded with the next agenda of the AGM.

Ordinary Resolution 4 – Re-election of Ms Chow Chooi Yoong was tabled before the meeting.

Upon Ordinary Resolution 4 being duly proposed by Mr David Chan and seconded by Mr David Poh, the motion to re-elect Ms Chow Chooi Yoong who retired pursuant to Article 92 of the Company's Articles of Association would be voted by way of poll.

Ms Chow Chooi Yoong then resumed chairing the AGM.

7. **RE-APPOINTMENT OF AUDITORS**

Ordinary Resolution 5 – Re-appointment of Auditors and to authorize the Directors to fix their remuneration was tabled before the meeting.

Upon Ordinary Resolution 5 being duly proposed by Mr Koh Eng Son and seconded by Mr David Chan, the motion to re-appoint Messrs KPMG PLT who have indicated their willingness to continue in office as Auditors of the Company for the financial year ending 31 December 2018 at a remuneration to be fixed by the Directors would be voted by way of poll.

8. **SPECIAL BUSINESS**

8.1 **Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016**

Ordinary Resolution 6 – Authority to Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016 was tabled before the meeting.

Upon Ordinary Resolution 6 being duly proposed by Mr David Chan and seconded by Ms Khoo, the motion to authorize the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016 as set out in the notice of meeting would be voted by way of poll.

8.2 **Continuing in Office as Independent Non-Executive Director**

Ordinary Resolution 7 – Approval for Mr Au Thin An @ Low Teen Ann to continue in office as an Independent Non-Executive Director of the Company.

Upon Ordinary Resolution 7 being duly proposed by Mr David Chan and seconded by Mr Siew Ah Meng, the motion for Mr Au Thin An @ Low Teen Ann to continue in office as an Independent Non-Executive Director of the Company would be voted by way of poll.

Ms Chow Chooi Yoong informed the shareholders that as the Company did not receive any notice to transact any other business, the meeting would proceed with the poll for the Ordinary Resolutions as set out in the Notice of AGM and called upon the Company Secretary to brief the shareholders on the polling procedures.

9. **BRIEFING BY COMPANY SECRETARY ON POLLING**

The Company Secretary informed the shareholders that Symphony Share Registrars Sdn Bhd would conduct the poll and Symphony Corporatehouse Sdn Bhd has been appointed the Scrutineer.

She then briefed all present at the meeting on the voting procedures which was conducted manually and said polling would commence immediately after the briefing.

10. **ADJOURNED OF MEETING FOR POLL VOTING**

The meeting was adjourned at 10.43 a.m. for the poll voting to commence immediately.

11. **RE-CONVENING OF MEETING AND ANNOUNCEMENT OF RESULTS**

The meeting re-convened at 11.17 a.m. for the announcement of the results of the poll voting by Ms Chow Chooi Yoong as follows :-

Ordinary Resolutions	Voted For/In Favour		Voted Against	
	No. of Shares	%	No. of Shares	%
Resolution 1	62,859,005	99.9920	5,000	0.0080
Resolution 2	62,859,005	99.9920	5,000	0.0080
Resolution 3	62,912,005	100.0000	0	0
Resolution 4	62,912,005	100.0000	0	0
Resolution 5	62,912,005	100.0000	0	0
Resolution 6	62,910,500	99.9976	1,505	0.0024
Resolution 7	62,864,000	100.0000	0	0

Ms Chow Chooi Yoong, the Chairperson declared that all seven (7) Ordinary Resolutions were approved by the shareholders.

Resolution 1

It was resolved that the Directors' fees and benefits amounting to RM67,500/- in respect of the financial year ended 31 December 2017 be approved.

Resolution 2

It was resolved that the Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM120,000/- from 1 January 2018 until the next Annual General Meeting be approved.

Resolution 3

It was resolved that Mr Lee Kong Weng who retired pursuant to Article 92 of the Company's Articles of Association be re-elected as Director of the Company.

Resolution 4

It was resolved that Ms Chow Chooi Yoong who retired pursuant to Article 92 of the Company's Articles of Association be re-elected as Director of the Company.

Resolution 5

It was resolved that Messrs KPMG PLT who have indicated their willingness to continue in office as Auditors of the Company for the financial year ending 31 December 2018 at a remuneration to be fixed by the Directors be approved.

Resolution 6

It was resolved that subject always to the Companies Act, 2016 ("Act"), Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of the relevant governmental/regulatory bodies (if any), the Directors be and are hereby authorised and empowered pursuant to Section 76 of the Act to issue new shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed ten percentage (10%) of the total number of issued shares of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company.

Resolution 7

It was resolved that pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr Au Thin An @ Low Teen Ann who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company.

12. **TERMINATION OF MEETING**

There being no other business, the meeting ended at 11.20 a.m. with a vote of thanks to the chair.

Confirmed as correct record,

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CHOW CHOOI YOONG
Chairperson