

**CLASSIC SCENIC BERHAD (633887-M)**

(Incorporated in Malaysia)

Minutes of the Sixteenth (16<sup>th</sup>) Annual General Meeting (“AGM”) of the Company held at the Saga Room, Sri Damansara Club Berhad, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 20 June 2019 at 10.00 a.m.

Present : Shareholders  
As per Attendance List

Directors

Mr Lim Chee Keong	Executive Chairman
Mr Lim Chee Beng	Managing Director
Mr Lim Chee Hwa	Executive Director
Mr Lee Kong Weng	Independent Director
Mr Au Thin An @	Independent Director
Low Teen Ann	
Ms Chow Chooi Yoong	Independent Director

By Invitation : As per Attendance List

In Attendance : Ms Wong Youn Kim Company Secretary

**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 Mr David Chan, a shareholder present at the meeting, Mr Lee Kong Weng, the Independent Non-Executive Director, was elected to chair the AGM.

Mr Lee Kong Weng, the Chairman addressed the meeting and declared the meeting duly convened as the Notice of the AGM dated 29 April 2019 had been circulated to all members of the Company in accordance with the Company's Constitution.

Upon the proposal by Mr Lee Kong Weng and seconded by Mr David Chan, a shareholder, 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 six (6) proposed Ordinary Resolutions and one (1) proposed Special Resolution and that each of the proposed Ordinary Resolution would require the approval of a simple majority of the members or their proxies present and voting at the meeting, whilst the proposed Special Resolution would require the approval of at least three-fourth or 75% of the members or their proxies present and voting at the meeting.

She said each motion would require one proposer and a seconder before the motions were put to the floor to vote; and that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 2018**

Before the Company's Audited Financial Statements for the year ended 31 December 2018 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 :-

Mr David Koay (Shareholder) posed Q1 & Q2 :

- Q1. 2018 was a challenging year for every company. For CScenic, although its 2018 revenue was higher, bottom line had dropped. Was it due to costs?
- Q2. What are the steps taken by the Company to mitigate the increase in labour costs?

Mr Lim Chee Hwa, the Executive Director replied Q1 & Q2 :

- A1. In 2018, the Company had approximately 6 to 8 months stocks of sawn timber that were acquired at relatively higher prices due to timber market price surge. However, sawn timber prices had now stabilized. A major challenge for the Company was the increase in minimum wage by RM100/- to RM1,100/- in year 2018 and the government mulled to gradually increase it to RM1,500/- in subsequent years as it had affected and impacted the bottom line adversely. The management had increased the product selling price in the fourth quarter of 2018 and early 2019 and customers were receptive to the increase.
- A2. The Company had been exploring and investing more in automation to improve productivity and to control the rising costs as well as lessen its dependence on labour.

Mr Leong Wai Hong (Shareholder) posed Q3 :

- Q3. What is the impact of the weakening Ringgit on costs?

Mr Lim Chee Hwa replied Q3 :

- A3. The foreign exchange gain from the weakening of Ringgit or strengthening of the US Dollars had helped to counter the negative impact, which was resulted by rising costs of raw material, on the bottom line.

En Mohd Yusof Bin Hussian (Shareholder) posed Q4 & Q5 :

- Q4. The Company has managed costs quite well against the rising costs. What is the levy for foreign labour?
- Q5. Why did the Company employ more foreign workers compared to locals?

Mr Lim Chee Hwa replied Q4 & Q5 :

- A4. The levy was RM1,850.00 per foreign employee per annum.
- A5. The foreign employees were willing to work longer hours compared to the locals, just as Malaysians would be prepared to work more if they were in foreign countries such as Japan. However, the Company would protect the interest of the local employees as well. Overall, in terms of costs and bottom line, it would make business sense to hire more foreign workers.

Ms Ong Su-Yin (Shareholder) posed Q6 & Q7 :

- Q6. The Company invested RM3 million. Was the Capex for replacement or expansion? What were those Capex?
- Q7. What is the production capacity?

Mr Lim Chee Hwa replied Q6 & Q7 :

- A6. The RM3 million was for purchase of machinery, upgrading of computer systems and renovation.
- A7. Currently, production was running at 60% to 70% capacity and total output was approximately 28 to 30 million linear foot per annum.

Mr Hor Soot Fong (Shareholder) posed Q8 :

- Q8. Are there any plans in the mid to long term for the Group to expand to other related businesses besides its main business?

Mr Lim Chee Hwa replied Q8 :

- A8. Going forward, the US market was expected to be rather flat. If the consumers in China were to develop the passion for wooden picture frames, the Company may consider going into the Chinese market in the future. In terms of diversification, the Group would prefer to focus on doing what it was good at, i.e. premium wooden picture frames rather than to venture into something else such as furniture which was highly competitive. Currently, the Company has a fair number of competitors in Malaysia but the competitors had different target market segment.

A Shareholder posed Q9 & Q10 :

- Q9. How does the trade war between the US and China affect the Company?
- Q10. Why was there a RM1 million increase in current tax assets and a big drop in other income?

Mr Lim Chee Hwa replied Q9 :

- A9. The customers had already placed their orders with the Group prior to the imposition by the US of the 25% tariff on China goods. Although there was no immediate positive impact yet on the Group, the effects may be felt later. The US consumers were holding back spending and the Group is prepared to overcome any negative effects from the ongoing trade war.

Mr Lee Kong Weng, the Chairman replied Q10 :

- A10. Tax recoverable from the Inland Revenue Board was classified as current tax assets. The RM1 million increase in current tax assets (as compared to year 2018) was due to the higher difference between the estimated tax payable which was stated in the CP204/CP204A form, and the actual tax paid for the assessment year. The drop in other income was due to the net foreign currency exchange loss position in year 2018 as compared to year 2017 which was a net gain.

A Shareholder posed Q11 :

- Q11. How sensitive is the Group to fluctuation in the foreign exchange rates?

Mr Lim Chee Hwa replied Q11 :

- A11. When the USD is strengthening, it would be favourable to the Group as 80% to 85% of sales were in US Dollar and the remaining sales in the Japanese Yen and Euro Dollar. On the other hand, timber price would hike and as a strategy to lessen the cost impact, the Group would have high inventory of timber which were mostly sourced locally. But lacquers had to be imported from Europe as local suppliers could not meet the Group's expectation. On the overall, the Group would source raw materials locally as much as possible.

Mr Lai Shien Nang (Shareholder) posed Q12 :

- Q12. The Company's cost of sales had increased. How would the Company reduce its manpower/labour costs?

Mr Lim Chee Hwa replied Q12 :

- A12. The Group was mindful of the challenges and was committed to continually investing in automation to reduce labour costs. However, as the Group produces premium picture frames, it would continuously need manpower to refine and conduct checks on its products.

Mr Ooi (Shareholder) posed Q13 & Q14 :

- Q13. Last year the management had said 75% to 80% of revenue were from the US and Canada, the rest were from Japan, Hong Kong, Australia and Europe – Norway, Belgium and the United Kingdom. Any reason why the Company is not selling its products to China?

- Q14. In view of minimum wage and automation, would the management be able to reduce production costs further?

Mr Lim Chee Hwa replied Q13 :

- A13. If the consumers in China were to develop the passion for wooden picture frames, the Company may consider going into the Chinese market in the future. However, the Group's products were already being sold in China indirectly via our Canadian customer. Currently, it was not feasible for the Group to sell its products directly to China.

Ms Lim Kim Lee, the Chief Financial Officer replied Q14 :

- A14. In each production line, it had its own headcount to achieve optimum output. We would try to reduce manpower as much as possible through automation. Although the production headcount of the Group remained at approximately 350, some workers saved from automation measures were assigned to the Group's new upstream activities such as sourcing and processing of timber logs.

Mr Ooi (Shareholder) posed Q15 :

- Q15. Does the Company intend to produce digital frames?

Mr Lim Chee Hwa replied Q15 :

- A15. For aesthetic, the picture frames would need to be made with wood. Furthermore, our customers were not interested in digital frames.

Mr Teo (Shareholder) posed Q16 :

- Q16. On page 70 of the Annual Report 2018, it was stated that there were 3 major customers. Are they wholesalers, what are their credit terms and do they pay by Letters of Credit?

Mr Lim Chee Hwa replied Q16 :

- A16. Two (2) of the major customers are retailers whilst the third major customer is an importer and distributor. The credit terms for all three (3) major customers are 30 days or cash on deliveries. In the Group's long business relationship with the three (3) major customers, they had always paid promptly and never had long outstanding receivables.

Mohd Yusof Bin Hussian posed Q17 :

- Q17. Ordinary Resolution 1 relates to Directors' fees and benefits payable to the three (3) Independent Non-Executive Directors up to an amount of RM100,000/- from 21 June 2019 until the next AGM of the Company.

Is the RM100,000/- for each of the Independent Non-Executive Director or the RM100,000/- is to be divided among them?

If the RM100,000/- is for all three (3) Independent Non-Executive Directors, they are underpaid and the Board should review their fees and benefits for the following year at the next AGM as all three (3) of them have been doing a very good job.

Mr Lim Chee Hwa replied Q17 :

- A17. The RM100,000/- is the total fees payable to the three (3) Independent Non-Executive Directors. The Board would take note of the comments made. However, the Board has always been very mindful of costs and the chain effect/impact of any increment in salaries, wages and benefits that may have on the overall impact on the total costs of the Group.

The Independent Non-Executive Directors thanked the shareholder for his comments and support.

Upon the completion of the questions and answers session, Mr Lee Kong Weng declared that the Audited Financial Statements for the financial year ended 31 December 2018 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 AND BENEFITS**

Ordinary Resolution 1 – Approval of Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM100,000/- from 21 June 2019 until the next Annual General Meeting was tabled before the meeting.

Upon Ordinary Resolution 1 being duly proposed by Mr Koay Chew Bin and seconded by Mr Steven Patrick A/L Markandan, the motion to approve Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM100,000/- from 21 June 2019 until the next Annual General Meeting would be voted by way of poll.

**5. ELECTION OF DIRECTORS**

Ordinary Resolution 2 – Re-election of Mr Lim Chee Keong was tabled before the meeting.

Upon Ordinary Resolution 2 being duly proposed by Mr David Chan and seconded by Mr Steven Patrick A/L Markandan, the motion to re-elect Mr Lim Chee Keong who retired pursuant to Article 92 of the Company's Constitution would be voted by way of poll.

Ordinary Resolution 3 – Re-election of Mr Au Thin An @ Low Teen Ann was tabled before the meeting.

Upon Ordinary Resolution 3 being duly proposed by Mr Ooi Liang Chye and seconded by Mr Koay Chew Bin, the motion to re-elect Mr Au Thin An @ Low Teen Ann who retired pursuant to Article 92 of the Company's Constitution would be voted by way of poll.

**6. RE-APPOINTMENT OF AUDITORS**

Ordinary Resolution 4 – Re-appointment of Auditors and to authorize the Directors to fix their remuneration was tabled before the meeting.

Upon Ordinary Resolution 4 being duly proposed by Mr Lim Pin Yeong 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 2019 at a remuneration to be fixed by the Directors would be voted by way of poll.

**7. SPECIAL BUSINESS**

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

Ordinary Resolution 5 – 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 5 being duly proposed by Mr Koay Chew Bin and seconded by Mr Ooi Liang Chye, 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.

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

Ordinary Resolution 6 – 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 6 being duly proposed by Mr David Chan and seconded by Mr Ooi Liang Chye, 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.

**7.3 Proposed Adoption of New Constitution of the Company**

Special Resolution – Proposed Adoption of New Constitution of the Company was tabled before the meeting.

Upon the Special Resolution being duly proposed and seconded by Mr David Chan and seconded by Mr Ooi Liang Chye respectively, the motion to adopt the new Constitution of the Company as set out in the notice of meeting would be voted by way of poll.

Mr Lee Kong Weng 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 and Special Resolution as set out in the Notice of AGM and called upon the Company Secretary to brief the shareholders on the polling procedures.

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

The Company Secretary informed the shareholders that Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd) would conduct the poll and Boardroom Corporate Services Sdn Bhd (Formerly known as Boardroom Corporate Services (KL) Sdn Bhd has been appointed the Scrutineer to verify the poll results.

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

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

The meeting was adjourned at 11.10 a.m. for the poll voting to commence immediately.

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

The meeting re-convened at 11.55 a.m. for the announcement of the results of the poll voting by Mr Lee Kong Weng as follows :-

Resolutions	Voted For/In Favour		Voted Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution 1	62,264,148	99.9600	24,900	0.0400
Ordinary Resolution 2	62,357,848	100.0000	5,000	0.0080
Ordinary Resolution 3	62,357,848	100.0000	0	0
Ordinary Resolution 4	62,357,848	100.0000	0	0
Ordinary Resolution 5	62,357,848	99.9600	24,900	0.0400
Ordinary Resolution 6	62,357,848	99.9679	20,000	0.0321
Special Resolution	62,357,848	100.0000	0	0

Mr Lee Kong Weng, the Chairman declared that all six (6) Ordinary Resolutions and Special Resolution were approved by the shareholders.

**Ordinary Resolution 1**

It was resolved that the Directors' fees and benefits payable to the Non-Executive Directors up to an amount of RM100,000/-, from 21 June 2019 until the next Annual General Meeting of the Company be approved.

**Ordinary Resolution 2**

It was resolved that Mr Lim Chee Keong who retired pursuant to Article 92 of the Company's Constitution be re-elected as Director of the Company.

**Ordinary Resolution 3**

It was resolved that Mr Au Thin An @ Low Teen Ann who retired pursuant to Article 92 of the Company's Constitution be re-elected as Director of the Company.

**Ordinary Resolution 4**

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 2019 at a remuneration to be fixed by the Directors be approved.

**Ordinary Resolution 5**

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.

**Ordinary Resolution 6**

It was resolved that subject to the passing of Ordinary Resolution 3 and 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.

**Special Resolution**

It was resolved that the existing Constitution of the Company be deleted in its entirety and that the new Constitution as set out in Appendix I, be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities.

11. **TERMINATION OF MEETING**

There being no other business, the meeting ended at 12.00 noon with a vote of thanks to the chair.

Confirmed as correct record,

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**LEE KONG WENG**  
Chairman