

# **FIAMMA HOLDINGS BERHAD**

(Company No. 88716-W)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-FOURTH ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD AT THE MAIN BOARD ROOM, LEVEL 10, WISMA FIAMMA, NO. 20, JALAN 7A/62A, BANDAR MANJALARA, 52200 KUALA LUMPUR ON WEDNESDAY, 22 FEBRUARY 2017 AT 12 NOON.**

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## **PRESENT**

### **Directors**

Tan Sri Dato’ Azizan bin Husain – Chairman

Jimmy Lim Choo Hong – CEO/Group Managing Director

Lim Soo Kong (Lim Soo Chong)

Dato’ Bahar Bin Ahmad

Kok Sau Chun

Margaret Chak Lee Hung

Dr Teh Chee Ghee

## **QUORUM**

With the requisite quorum present, the Chairman called the Meeting to order at 12 noon.

### **1. CHAIRMAN’S ADDRESS**

The Chairman welcomed the Directors and shareholders to the meeting and thereupon briefed the shareholders on the procedures to be followed at the meeting. The Chairman informed the members on the requirement for all resolutions set out in the Notice of the Meeting to be voted by poll. The poll shall be taken in such manner as the Chairman directs.

Asia Securities Sdn Berhad has been appointed as the independent Scrutineers to facilitate the polling process. The Chairman further informed that the Meeting shall go through all the resolutions. Subsequent to the tabling of the last resolution, the Meeting shall then proceed with the polling procedure. At the request of the Chairman, the Representative from Tricor Investor & Issuing House Services Sdn Bhd, the Share Registrar, briefed all present on the polling procedure.

The Chairman then proceeded with the resolutions set out in the Agenda.

### **2. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016**

The Audited Financial Statements for the financial year ended 30 September 2016 together with the Directors’ Report and Auditors’ Report thereon having been circulated to all the shareholders of the Company within the prescribed period were taken as read.

The Chairman informed the meeting that this item in the Agenda was meant for discussion. It would not be put to vote by shareholders as it did not require approval from the shareholders of the Company.

The Chairman then invited questions from the floor. The questions from the Members/ Proxies and replies are set out in Annexure A attached.

The Chairman closed the Question and Answer session and thanked the shareholders for their queries and for sharing their thoughts.

## OUTCOME OF THE AGM – POLL RESULTS

The following resolutions tabled at the meeting which were voted upon by poll, were duly passed by the shareholders.

	FOR		AGAINST		Total no. of Votes		Results
	Shares	%	Shares	%	Shares	%	
<b>Ordinary Resolution 1</b> Declaration of a final single tier dividend of 1.5 sen per ordinary share for the financial year ended 30 September 2016	266,075,138	99.998	5,000	0.002	266,080,138	100.00	Carried
<b>Ordinary Resolution 2</b> Approval of payment of Directors' Fees for the financial year ended 30 September 2016	266,038,938	99.985	40,500	0.015	266,079,438	100.00	Carried
<b>Ordinary Resolution 3</b> Re-election of Dr Teh Chee Ghee as Director	266,072,938	99.998	6,500	0.002	266,079,438	100.00	Carried
<b>Ordinary Resolution 4</b> Re-election of Ms Margaret Chak Lee Hung as Director	257,790,138	96.885	8,289,300	3.115	266,079,438	100.00	Carried
<b>Ordinary Resolution 5</b> Re-election of Tan Sri Dato' Azizan Bin Husain as Director	266,063,938	99.994	15,500	0.006	266,079,438	100.00	Carried

	FOR		AGAINST		Total no. of Votes		Results
	Shares	%	Shares	%	Shares	%	
<b>Ordinary Resolution 7</b> Re-appointment of Messrs KPMG PLT as auditors of the Company and authorise the Directors to fix the Auditors' remuneration	266,075,138	99.998	5,000	0.002	266,080,138	100.00	Carried
<b>Ordinary Resolution 8</b> Authority for the Directors to allot and issue shares	266,067,238	99.995	12,200	0.005	266,079,438	100.00	Carried
<b>Ordinary Resolution 9</b> Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	28,789,170	99.894	30,500	0.106	28,819,670	100.00	Carried
<b>Ordinary Resolution 10</b> Proposed Renewal of Authority for Share Buy-Back	266,068,738	99.996	10,700	0.004	266,079,438	100.00	Carried
<b>Ordinary Resolution 11</b> Retention of Tan Sri Dato' Azizan Bin Husain as Independent Director	266,072,838	99.998	6,600	0.002	266,079,438	100.00	Carried
<b>Ordinary Resolution 12</b> Retention of Dr Teh Chee Ghee as Independent Director	266,072,838	99.998	6,600	0.002	266,079,438	100.00	Carried

	FOR		AGAINST		Total no. of Votes		Results
	Shares	%	Shares	%	Shares	%	
<b>Special Resolution 1</b> Amendments to the Articles of Association of the Company	266,074,438	99.998	5,000	0.002	266,079,438	100.00	Carried

## CONCLUSION

The Chairman thanked all shareholders for their presence and participation at the Company's AGM. There being no other business to be transacted, the Chairman declared the AGM closed at 1.50 p.m.

**FIAMMA HOLDINGS BERHAD**

(Company No. 88716-W)

QUESTIONS AND ANSWERS (“Q&A”) SESSION DURING THE THIRTY-FOURTH ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD AT THE MAIN BOARD ROOM, LEVEL 10, WISMA FIAMMA, NO. 20, JALAN 7A/62A, BANDAR MANJALARA, 52200 KUALA LUMPUR ON WEDNESDAY, 22 FEBRUARY 2017 AT 12 NOON.

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**QUESTIONS AND ANSWERS (“Q&A”) SESSION AND STATEMENT (“S”) MADE DURING THE AGM**

(a) **Question From Shareholder**

The revenue and profits of the Company have declined. Were there any bad debts or impairment loss?

After employees and directors exercise the share options allotted to them, can the shares then be sold?

What are the prospects of the property projects being undertaken by the Company?

**Company Response**

The main reason for the decline in revenue and profit of the Company was there were no new projects launched for the financial year ended 30 September 2016 compared with previous years. The Company has maintained its performance in the trading division. The Company is expected to perform better financially for the forthcoming years due to new projects in Kuala Lumpur and Johor.

In relation to the Employees’ Shares Option Scheme, once the options are exercised the shares can be sold in the open market.

Impairment loss on trade receivables amounted to RM117,000 for the financial year ended 30 September 2017 as disclosed on page 82 of the annual report. The Company actively reviews trade receivables for impairment losses. The impairment loss has minimal impact on the financial position of the Company.

(b) **Question From Shareholder**

What is the forecast of the revenue from project-based sales?

**Company Response**

The Company does not just focus on forecasted sales in respect of project-based business as its contribution to the performance of the Company is not substantial.

(c) **Question From Shareholder**

How is the performance of the property segment in the current financial year?

**Company Response**

Subject to the market conditions, the performance for the financial year ending 30 September 2017 is expected to be better than the performance for the financial year ended 30 September 2016 as performance in the property segment depends on the number of projects launched in the financial year. There are currently three (3) on-going projects; one (1) in Kuala Lumpur and two (2) in Johor.

(d) **Question From Shareholder**

How much is the property segment contributing to the performance of the Company compared to the trading segment?

**Company Response**

The amount has yet to be calculated for the financial year ending 30 September 2017 but the property segment is expected to make a higher contribution as no projects were launched for the financial year ended 30 September 2016.

(e) **Question From Shareholder**

What is the ratio of the projected contribution from the trading segment and development segment?

**Company Response**

Approximately 90% from the trading segment compared with 10% from the development segment.

(f) **Question From Shareholder**

What is the profit margin expected from the trading and property segments?

**Company Response**

Profit margin for the property segment is expected to be approximately 10% to 20% subject to market conditions.

The profit margin for the trading segment would be higher compared with property segment in terms of percentage.

(g) **Question From Shareholder**

What are the type of properties owned by the Company?

**Company Response**

There are shop houses, linked-houses and high rise properties in Johor. The Company also has another high rise property project in Kuala Lumpur.

(h) **Question From Shareholder**

The property segment has not been contributing much to the performance of the Company and the core business of the Company has declined as well. What are the Company's plans to improve performance?

Are the products of the Company not marketable? Is there any special reason behind the decline in sales?

**Company Response**

The overall market performance has declined so the performance of the Company is in tandem with the market.

In general, the performance of retailers has dropped by approximately 10%. In view of the current market conditions, the performance of the Company has not actually declined.

(i) **Question From Shareholder**

Are there any unpaid sales for the on-going property projects at Kota Tinggi, Johor? What are the balance unsold units?

How are the sales of the serviced-apartments in Kuala Lumpur? How are the sales collection and have there been many buyers who have signed the sales and purchase agreement since the commencement of construction of the project?

Please provide further details on the value and types of the properties proposed for the new commercial development in Jalan Yap Kwan Seng and Sungai Besi.

**Company Response**

The sales value for the Company's land bank is estimated to be worth more than RM1 billion. The Company has approximately 100 hectares of land in Johor.

East Parc has registered approximately 20% sales (excluding bumiputra designated units).

The two properties registered in Kuala Lumpur are high rise condominium projects. The condominium located at Jalan Yap Kwan Seng is not going to be launched yet as it is a high end product and the market conditions are not favourable at the moment. The condominium project at Sungai Besi is still in the planning stage.

(j) **Question From Shareholder**

The Company seems to focus on property development. Will the dividend payout for the forthcoming year be affected as more money is utilised for property development?

**Company Response**

The Company focuses equally on trading as well as property development. The growth of the respective segments depend on the market demand.

The Company would continue to declare dividends at approximately 30% of the profit after tax in accordance with the past practice of the Company.

(k) **Question From Shareholder**

Considering the current market conditions, the overall performance of the Company is satisfactory.

As the market performance has declined, what is the Company's projection of the trading segment of the Company? Is a further decline of more than 10% expected this year?

Will the Company be introducing additional/new products this year to mitigate the negative market conditions? What are the prospects of the trading segment of the Company?

What are your views on the growth of the property segment as some of the projects of the Company are being postponed while others are in progress? Additionally, does the Company have competitive advantage over its competitors and what is the Company's strategy?

**Company Response**

The Company has allocated budget for the trading segment and is not expecting a steep increase or decrease in sales as the products sold by the Company are necessities. There would be continuous efforts to improve and develop the products of the Company. The Company will source for new products to expand the range of products currently being offered by in-house brands. At the same time, we will continue to look for agency products to add to the number of brands that we already carry subject to the prospects of the products and the expected demand.

The performance for the property segment is subject to the market demand. The Company would not launch a project if the market conditions are not favourable. There is demand for landed property so the Company would carry on with the projects involving landed properties. Extra care has to be taken on the product, price, location and cash flow for high rise projects.

(l) **Question From Shareholder**

Is Wisma Fiamma fully occupied by the Fiamma Group or leased to third parties?

**Company Response**

The Fiamma Group occupies approximately 40% of Wisma Fiamma and the rest are leased to third parties. Wisma Fiamma is fully occupied and revenue is derived from leases to third parties.

(m) **Question From Shareholder**

I would like to request that the Company insert the information on dividend per share in future Annual Reports.

Page 25 of the Annual Report states that the remuneration for two (2) Non-Executive Directors range between RM150,000 to RM200,000 and one (1) Non-Executive Director range from RM350,000 to RM400,000. Why are the Non-Executive Directors entitled to such high remuneration packages?

**Company Response**

The amount disclosed in the Annual Report in respect of the remuneration of Dato' Bahar bin Ahmad ("Dato' Bahar), a Non-Executive Director includes remuneration received from the subsidiaries up to 31 March 2016, while Dato' Bahar was still an Executive Director. Dato' Bahar was subsequently redesignated as a Non-independent Non-Executive Director.

The other 2 Non-Executive Directors' remuneration includes fees paid for directorships in subsidiary companies.

(n) **Question From Shareholder**

It is noted from page 38 of the Annual Report that the Company is very active in the buying and selling shares in the Company. What is the objective of the Company in buying back its shares and selling it again when the share price is high? During the financial year 30 September 2016, the Company disposed of 6,572,300 of its shares held as treasury shares.

**Company Response**

The purchase and disposal of shares of the Company are for investment purposes. When the Company deems that the price of the shares is undervalued, the Company may decide to purchase its own shares and vice versa.

The shares disposed of by the Company have been accumulated for many years prior to the two (2) disposals in the year 2016.

(o) **Question From Shareholder**

As stated on page 47 of the Annual Report, cash flow from operating activities for both financial year ended 30 September 2015 and 30 September 2016 has been negative. Property development cost is utilising a large portion of cash of the Company. Property development costs increased from RM27 million in 2015 to RM31 million in 2016. According to the segmental reporting on page 88, the property development made a total of RM7 million losses.



The prospect of the property development segment does not look promising. What is the Company's long-term plan for the property development segment? Is the Company expecting to turnaround the profit and cash flow?

**Company Response**

The high costs incurred in connection with the development segment is due to the preparations required prior to the launching of the projects, i.e., consultation fees, and fees paid to the authorities for submission of documents to obtain the relevant approvals. A team is maintained at the project site. The costs incurred are necessary and/or beneficial to the project development. These are value added expenses. When the projects are launched and sales are registered, the profit and cash flow would turn around.

**(p) Question From Shareholder**

Page 41 of the Annual Report states that the property development cost amounting to RM242,902,000 has been capitalised. When is this amount expected to be realised?

**Company Response**

The amount is in respect of on-going land and the unsold properties, which are part of stocks. The timeframe for realisation would depend on the launch of the projects. E.g: East Parc was recently launched and is expected to be realised within the next two to three years. The Company has land that are pending development. The Company is always careful when investing in property.

**(q) Question From Shareholder**

The Management has indicated that the share buy-back exercises were mainly for investment purposes.

Is there any policy or guideline to facilitate the share buy-back that will affect the market price of shares and indirectly affect shareholders? Is there a specific price that would determine if shares are undervalued or overvalued which would trigger the share buy-back?

**Company Response**

The Company does not have a policy as there are frequent changes to the market conditions. The share buy-back is based on the cash flows of the Company. As proven by the Company's past records, the Company repurchased shares of the Company at lower prices but does not speculate. The Management tries to add value to the Company.

**(r) Question From Shareholder**

Tan Sri Dato' Azizan bin Husain has worked for the Company since year 1999, which is now approximately 18 years. In line with good corporate governance, is there any plan to replace his position as an independent director?

**Company Response**

The Company does not currently have any plans to replace any directors as the Company is of the opinion that the two (2) independent directors are still contributing to the Company.