

**PAOS HOLDINGS BERHAD**  
[Registration No. 199701037036 (452536-W)]  
(Incorporated in Malaysia)

Extract of Minutes of the Twenty Third Annual General Meeting of PAOS HOLDINGS BERHAD conducted on a fully virtual basis at the Broadcast Venue at BEST WESTERN i-City Shah Alam, A-GF-01, No. 6, Persiaran Multimedia, CityPark, i-City, 40000 Shah Alam, Selangor Darul Ehsan on 27<sup>th</sup> November, 2020, Friday at 10.30 a.m.

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**PRESENT** : **Members**

As per Attendance List

**Directors**

Ms. Lim Chang Ching - Chairperson  
Mr. Lim Zhen Qi  
Ms. Alice Boo Miao Li  
Mr. Lim Poh Seong  
Mr. Yap Min Lee  
Ms. Cheah Yee Leng  
Ms. Goh Ying Li

**BY INVITATION** : As per Attendance List

**IN ATTENDANCE** : Mr. Ho Meng Chan ) Company Secretaries  
Ms. Wu Siew Hong )

**PRELIMINARY**

The Chairman, Ms. Lim Chang Ching called the meeting to order upon the confirmation of the presence of a quorum by the Company Secretary. She extended a warm welcome to everyone present at the First virtual general meeting which is in compliance with Section 327 of the Companies Act, 2016. The Chairman informed that due to the enforcement of the Conditional Movement Control Order from 9<sup>th</sup> November 2020 to 6<sup>th</sup> December 2020, the Company has to change the mode of holding the Twenty Third Annual General Meeting to virtual meeting. It is necessary for the safety and health of the shareholders and employees during the COVID-19 pandemic. She then introduced the Board of Directors to the members. She further informed that the representative of Messrs. KPMG, the Company's Auditors, Mr. Chan Chee Keong, is participating in the Twenty Third Annual General Meeting.

**1. NOTICE OF MEETING**

The notice convening the meeting was taken as read.

**2. POLLING AND ADMINISTRATIVE DETAILS**

The Chairman informed that all resolutions tabled at the Twenty Third Annual General Meeting should be voted by way of a poll and the poll results would be verified by the Scrutineers, Messrs. Boardroom Corporate Services Sdn. Bhd.. The polling process for the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the Meeting.

The representative of the Registrars, Boardroom Share Registrars Sdn. Bhd. was invited to brief the functions available within Lumi AGM Portal and the process of poll voting before proceed to the agenda of the Twenty Third Annual General Meeting.

### **3. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MAY, 2020**

The audited financial statements of the Company and of the Group for the year ended 31<sup>st</sup> May, 2020 together with the Directors' and Auditors' Reports were tabled and thereon received by the meeting.

The Chairman informed that all questions in relation to the audited Financial Statements would be dealt with during the Questions and Answers session which was allocated after tabling all resolutions for consideration.

### **4. RESOLUTIONS OF THE MEETING**

The following resolutions were tabled for consideration :-

#### **i) Ordinary Resolution 1 - Directors' Fees**

"THAT the payment of Directors' Fees of RM179,000.00 in respect of the financial year ended 31<sup>st</sup> May, 2020 be and is hereby approved."

#### **ii) Ordinary Resolution 2 - Directors' Benefits Payable**

"THAT the payment of Directors' Benefits to the Directors up to an amount of RM60,000.00 for the period commencing from 28<sup>th</sup> November 2020 up to the next Annual General Meeting of the Company be and is hereby approved."

#### **iii) Ordinary Resolution 3- Re-election of Mr. Lim Zhen Qi as Director**

"THAT Mr. Lim Zhen Qi, the Director retiring under Article 109 of the Company's Constitution, be and is hereby re-elected as Director of the Company."

#### **iv) Ordinary Resolution 4- Re-election of Mr. Yap Min Lee as Director**

"THAT Mr. Yap Min Lee, the Director retiring under Article 109 of the Company's Constitution, be and is hereby re-elected as Director of the Company."

#### **v) Ordinary Resolution 5 – Re-appointment of Auditors**

"THAT Messrs KPMG PLT (LLP0010081-LCA & AF 0758), be and are hereby re-appointed as Auditors of the Company for the ensuing year at a fee to be determined by the Directors."

#### **vi) Ordinary Resolution 6 – Authority to Directors To Issue Shares**

"THAT subject always to the Constitution of the Company, the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 20% of the total number of issued shares of the Company at any point of time AND THAT the Directors be and 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 in force until the conclusion of the next Annual General Meeting."

**vii) Ordinary Resolution 7 – Continuing In Office of Mr. Lim Poh Seong as Independent Non-Executive Director**

“THAT authority be and is hereby given to Mr. Lim Poh Seong, 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 act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**viii) Ordinary Resolution 8 – Continuing In Office of Mr. Yap Min Lee as Independent Non-Executive Director**

“THAT authority be and is hereby given to Mr. Yap Min Lee, 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 act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**ix) Special Resolution 1 – Proposed Amendment To the Constitution of the Company**

“THAT the proposed amendment to the Constitution of the Company as set out below, be and is hereby approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendment for and on behalf of the Company:-

*Existing Article 100- Deposit of instrument of proxy*

*The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.*

*Proposed Article 100- Deposit of instrument of proxy*

*The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia **or by way of electronic means or in such other manner** as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.*

Thereafter, the Chairman proceeded to the Questions and Answers session.

## **5. QUESTIONS AND ANSWERS SESSION**

The Chairman informed the meeting that the Company has received questions raised by the Minority Shareholders Watch Group (“MSWG”) vide its letter dated 20<sup>th</sup> November, 2020 relating to the Company’s affairs. MSWG’s questions were published and the respective responses were presented. The list of questions and responses thereto is set out in Appendix A.

The Chairman invited questions from the floor and the questions raised were dealt with accordingly. In summary, the questions raised basically in relation to door gifts, e-vouchers and meeting costs.

#### **6. POLL VOTING**

The Chairman announced the commencement of poll voting session after Questions and Answers session and the members were given ten (10) minutes to cast their votes. Thereafter, the Scrutineers proceeded to verify the votes after the Chairman declared the closure of the poll. The meeting adjourned ten (10) minutes for Scrutineers to verify the votes.

#### **7. POLL RESULTS**

The Chairman announced the meeting be resumed for announcement of poll results after the poll results being verified by the Scrutineers. Based on the poll results as set out in Appendix B, the Chairman declared that Ordinary Resolutions 1 to 8 and Special Resolution 1 “CARRIED”.

#### **8. CLOSE OF MEETING**

There being no other business, the Chairman declared the meeting closed after a vote of thanks had been accorded to her.

**PAOS HOLDINGS BERHAD**  
**22ND ANNUAL GENERAL MEETING, 22 NOVEMBER 2019**  
**QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP**  
**STRATEGY AND FINANCIAL MATTERS**

**Question 1**

Profitability of the Company in terms of pre-tax profit margin to revenue was weakening despite growing revenue in the past five years (page 9 of Annual Report 2019). What are the reasons for the decreasing profit margin? What can be done to improve the profitability of the Company? How does the Company plan to implement these measures?

**Answer 1**

As our contract manufacturing of bar soap is for export sales mainly denominated in Singapore Dollar and United States Dollar, we made substantial foreign exchange gain in FY2015 (RM2.83 million) and FY2016 (RM3.76 million) when Ringgit Malaysia depreciated then.

The main contributor to our increased revenue in FY2017 to FY2019 is from our trading segment. Our main trading product is trading of marine gas oil (MGO) which commenced operations in Q4 FY2016.

Selling price of MGO is based on market price. Although volume of MGO traded remains consistent from FY2017 to FY2019, MGO market prices have increased over the years resulting in an overall increase in revenue. Margin for MGO is based on volume and not a percentage of selling price. Therefore, pre-tax profit margin as a percentage of revenue will appear reduced due to the increase in fuel oil prices.

Increasing production costs as a result of increase in wages and utilities in recent years have also affected our profit margins. Measures will be taken to minimise the impact of rising costs such as cost management exercises to keep production costs competitive i.e. conduct electricity savings exercise and efficiency improvement exercise.

Our toll manufacturing of animal feed has also been affected by the shortage and timeliness of competitively priced supply of palm stearin. To ensure consistency of palm stearin raw material supply, we will move upstream by investing in a fractionation facility in our Banting plant. Besides supplying raw material for our toll manufacturing of animal feed, this fractionation plant will also increase product variation and diversify our customer base in the long run.

## **Question 2**

The Company intends to set up its own fractionation plant in Banting to ensure consistency of palm stearin raw material supply for toll manufacturing of animal feed (page 12 of AR2019). Please brief shareholders on the details including required capital expenditure, progress and expected capacity.

## **Answer 2**

The estimated capital expenditure for setting up our own fractionation plant is approximately RM5.5 million.

The Company is now in the midst of carrying out all the necessary civil engineering works of site preparation to receive the new plant. The new fractionation plant and equipment is expected to arrive during the first half of next calendar year. Commissioning of the plant is expected to take place before the end of next calendar year.

New plant capacity planned meets the current raw material requirement for our own animal feed production as well as spare capacity to accommodate further growth.

### **Question 3**

Pending completion of the fractionation plant in Banting, what are the other alternatives to further ensure a steady supply of palm stearin and hence reduce the risk of supply disruption in future?

### **Answer 3**

Long term risk mitigation action plan would be the setting up of our own fractionation plant to ensure steady supply of palm stearin for the company. Based on current situation and pending the completion of the fractionation plant in Banting, we will continuously source for competitively priced supply of palm stearin for our toll manufacturing of animal feed.

#### **Question 4**

The average occupancy rate of hotel operation and rental of retail and office space was lower at 61.6% (2018 : 69.9%) and 78% (2018 : 86%, page 11 AR2019) respectively. What is the Board's expectation on this segment of business in FY2020?

#### **Answer 4**

Visit Malaysia Year 2020 campaign presents an opportunity to see an overall boost in tourist arrival numbers in Malaysia. However, moving forward this positive effect may not be significant for hotels in Kuala Lumpur due to concurrent increase in new hotels being built resulting in higher supply of hotel rooms. Hence, we expect the performance of the hotel in FY2020 to be consistent with FY2019 due to the highly competitive hospitality industry in the Kuala Lumpur region.

As for the retail and office space sector, Kuala Lumpur and Selangor reported the highest number of unoccupied office space beginning of 2019. The slowdown in economy in recent years has resulted in the reported glut of office spaces in the Klang Valley. During this difficult time, some of our tenants have either downsized their businesses to occupy smaller spaces or ceased operations completely resulting in the lower occupancy rate. This sector continues to be under pressure and we expect FY2020 performance to remain challenging.



### **Question 5**

Customer B contributed 90.6% of the total RM326.7 million revenue in 2019, compared to 89.24% of the RM279.52 million revenue in FY2018 (page 78 of AR2019). The high customer concentration ratio creates concentration risk. What does the Company plan to do to reduce the dependency on Customer B and to expand customer base?

### **Answer 5**

The percentage contribution of Customer B should be 83.0% in FY2019 and 78.9% in FY2018 and not as stated above.

As noted on page 78 of AR2019, Customer B's revenue is from our trading revenue. The selling price of our trading product is much dependent on the market price and is significantly higher in volume traded compared to our manufactured products. This is due to the nature of the product traded, hence Customer B's percentage contribution to the revenue is significantly higher due to the volume traded.

As part of our risk action plan to have a wider customer base, we continuously explore new customer relations to diversify our customer base in the long run.

**PAOS HOLDINGS BERHAD**

TWENTY THIRD ANNUAL GENERAL MEETING

BEST WESTERN I-CITY SHAH ALAM, A-GF-01, NO 6, PERSIARAN MULTIMEDIA

CITYPARK, I-CITY, 40000 SHAH ALAM, SELANGOR DARUL EHSAN

27 November 2020, at 10:30 AM

**Polling Results**

RESOLUTION	Vote FOR			Vote AGAINST		
	NO. OF			NO. OF		
	REC	UNITS	%	REC	UNITS	%
Ordinary Resolution 1	52	98,113,988	99.985829	26	13,906	0.014171
Ordinary Resolution 2	45	98,112,593	99.984407	33	15,301	0.015593
Ordinary Resolution 3	62	98,123,670	99.995692	17	4,227	0.004308
Ordinary Resolution 4	63	98,124,020	99.996049	16	3,877	0.003951
Ordinary Resolution 5	64	98,124,120	99.996151	15	3,777	0.003849
Ordinary Resolution 6	60	98,123,445	99.995463	19	4,452	0.004537
Ordinary Resolution 7	63	98,124,045	99.996075	16	3,852	0.003925
Ordinary Resolution 8	62	98,123,945	99.995973	17	3,952	0.004027
Special Resolution 1	62	98,123,895	99.995922	17	4,002	0.004078

