

**YLI HOLDINGS BERHAD**  
(Company no.: 367249 – A)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-THIRD ANNUAL GENERAL MEETING OF YLI HOLDINGS BERHAD HELD AT THE CONCORDE BALLROOM, LOBBY LEVEL, CONCORDE HOTEL, JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON THURSDAY, 30 AUGUST 2018 AT 11.30A.M.**

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***PRESENT***

Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	-	Independent Non-Executive Chairman
Dato' Hj Samsuri bin Rahmat	-	Managing Director
Tuan Haji Ali Sabri bin Ahmad	-	Non-Independent Executive Director
Mr Seah Heng Chin	-	Non-Independent Executive Director
Tan Sri Academician Ir (Dr) Ahmad Zaidee bin Laidin	-	Independent Non-Executive Director
En Mohammad Khayat bin Idris	-	Independent Non-Executive Director
Dr Abdul Latif bin Shaikh Mohamed	-	Independent Non-Executive Director

and senior management, company secretary, external auditors, independent scrutineer, share registrar and members present personally and acting as proxies, where applicable and by corporate representatives.

**ADMINISTRATIVE**

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a total of eight (8) resolutions set out in the notice of the twenty-third annual general meeting were put to vote by way of poll. Tan Sri Chairman informed the meeting that the poll would be conducted by Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator and results of the poll would be verified by Coopers Professional Scrutineers Sdn Bhd as Independent Scrutineers. The Chairman further informed that the conduct of poll would be deferred to the end of the Meeting, with its results announced after all the resolutions have been voted upon.

**SUMMARY OF KEY MATTERS DISCUSSED**

Presentation on the business summary to the shareholders for the financial year ended 31 March 2018 include inter-alia (1) Overall Industry Outlook; and (2) Recent Developments and its impact on the business of the group.

The Company had received a letter dated 24 August 2018 from the Minority Shareholders Watchdog Group ("MSWG"), raising some points pertaining to (i) Strategy & Financials; and (ii) Corporate Governance. The management's responses were read out by the Chairman with additional queries duly addressed in the Meeting.

## SUMMARY OF KEY MATTERS DISCUSSED (YLI's 23<sup>RD</sup> AGM)

During the question-and-answer session between the shareholders and the management/directors, some pertinent points/issues were raised by the shareholders. Each point/issue raised was duly addressed by the Chairman, the Board of Directors and the senior management, with details tabulated in the Appendix.

### THE POLL RESULTS

The poll results which were duly verified and confirmed by the independent scrutineer, Coopers Professional Scrutineers Sdn Bhd as announced by the Chairman were as follows:

Resolution	Vote For		Vote Against		Total Votes	
	No. of votes	%	No. of votes	%	No. of votes	%
Ordinary Resolution 1 - Re-election of Mr Seah Heng Chin	49,082,422	100.000	0	0.000	49,082,422	100.000
Ordinary Resolution 2 - Re-election of Dr Abdul Latif bin Shaikh Mohamed	49,027,222	100.000	0	0.000	49,027,222	100.000
Ordinary Resolution 3 - Re-appointment of Baker Tilly Monteiro Heng as Auditors and to authorise the Directors to determine their remuneration	49,028,222	100.000	0	0.000	49,028,222	100.000
Ordinary Resolution 4 - Approval of Directors' fees and benefits	39,712,822	80.920	9,363,600	19.080	49,076,422	100.000
Ordinary Resolution 5 - Continuing in office for YBhg Tan Sri Academician Ir (Dr) Ahmad Zaidee bin Laidin as an Independent Non-Executive Director	39,711,822	81.003	9,313,400	18.997	49,025,222	100.000
Ordinary Resolution 6 - Continuing in office for Encik Mohammad Khayat bin Idris as an Independent Non-Executive Director	39,712,822	81.005	9,312,400	18.995	49,025,222	100.000
Ordinary Resolution 7 - Proposed renewal of the authority for the purchase of the Company's own ordinary shares of up to ten per centum (10%) of the Company's total number of issued shares	48,473,618	98.766	605,804	1.234	49,079,422	100.000
Ordinary Resolution 8 - Approval for issuance of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016	39,168,322	98.689	520,300	1.311	39,688,662	100.000

Based on the poll results, the Chairman declared that all resolutions as set out in the Notice of the 23<sup>rd</sup> Annual General Meeting were carried.

## **APPENDIX**

### **REPLY TO QUESTIONS RAISED BY THE SHAREHOLDERS AT AGM**

**The following question was raised by Mr. Peter Lim Poh Ho, a proxy holder and the Board responded as follows:**

Question:

I noted that the Company is suffering from heavy negative cashflow. With the different business environment, are there any efforts taken by the Company to reduce Administrative Expenses of around RM15 million as shown in the Annual Report ("AR")?

Reply:

Tan Sri Chairman replied that the Group has tried cost cutting in many ways such as reduced staff intake and operating with skeletal staff. However, due to the prospect of the replacement of 6,000 km pipes, the Group has to be ready. At the moment, 60% of the pipes are asbestos pipes which were not approved by SIRIM so the replacement of pipes was imminent.

Dato' Samsuri explained that the 3 manufacturing subsidiaries have around 350 staff and out of which, 70% are skilled staff and difficult to replace. The balance of staff comprises administrative and sales staff. Only skeletal staff are retained currently for administrative and sales staff. In view of the opportunity ahead i.e. with the finalisation of SPLASH sale, the 6,000 km pipes replacement would be a reality as it was part of the State Government of Selangor's capital expenditure programme. They need to get ready to take on such projects if awarded.

Tan Sri Chairman added that the State Government of Selangor had recently reported taking steps to reduce their Non-Revenue Water ("NRW") and hence, it is inevitable that the pipes have to be changed to address the leakage. With the Federal and State Government working as one, it would be easier to administer.

**The following questions 1 to 3 were raised by Mr Wong Chin Won and the Board responded as follows:**

Question 1:

On the replacement of asbestos pipes, I understand Kumpulan Perangsang Selangor Berhad ("Kumpulan Perangsang") would be starting a pipe factory as well. I hope the Company would grab the opportunity. In 2016, the Langat 2 project of RM97 million commenced with a RM5 million bond. When is the completion date of this project?

Reply:

Tan Sri Chairman replied that the Langat 2 project was still ongoing and would complete by 2019. Another package together with construction works and pipes would be coming up which has a value of RM100 million. The Company has put in the tender together with 2 other main players of the same industry. As for Kumpulan Perangsang, there was an understanding that we would most likely be given jobs by Kumpulan Perangsang whenever they secured a new project. This

move would definitely add value to the Group.

He emphasised the huge increase in the cost of raw materials e.g. hot roll coil had impacted the Group's profits as the costs keep going up. The hot roll coil could no longer be sourced locally and is now imported solely from overseas. This of course had affected the pricing very much. We have asked the Government to review the costing for some existing contracts in order to recover costs escalation. The orders from KUBOTA Corporation under the OEM arrangement was still ongoing with sales of RM3 million fulfilled and come November 2018, another order of RM1.2 million of pipes would be sent to Myanmar.

Question 2:

In 2016, the Group bought MRPI Pipes Sdn Bhd ("MRPI") which has a profit guarantee. The purchase was paid partially in cash and issuance of shares. Now MRPI is suffering losses. Does the Group have any plans to sue the Advisers for advising the Group to buy into a loss-making investment?

Reply:

Mr Seah replied that MRPI suffered losses due to the high price of resin, its most important raw material. Resin has to be imported hence MRPI is subject to volatile price fluctuations. MRPI has good contracts and the book order was still intact. It was unfortunate that the high price of resin caused the losses. As for the profit guarantee, the Group has not paid 100% of the purchase consideration as yet. The Group would only complete the payment once MRPI fulfils its projected profits.

Question 3:

With now the change from GST to SST, how would that impact the Group's results?

Reply:

Mr Seah replied that the Company was still waiting for the finalized list of the SST. However, he was of the opinion that they would not anticipate any huge impact as only 1 or 2 materials estimated to be 5-7% of total costs would be affected. He also informed that the refund of GST was small amounting to RM50,000 to RM100,000 only.

**The following questions 1 to 6 were raised by Mr Ng Kok Kiang, a proxy holder and the Board responded as follows:**

Question 1:

I would like to refer you to Page 69 of the AR, Note 15 – Trade Receivables. From the ageing analysis, the amount more than 30 days have increased from RM27.7 million in 2017 to RM35.1 million in 2018. Are there any collection problems and would there be more impairment expected?

Reply:

Mr Seah replied that most of the trade debtors are credit worthy and no further impairment was expected at the moment. For 2018, an impairment of RM1.4 million had already been made.

Question 2:

As par value regime has been abolished, RM7.2 million of credit balance of share premium has become part of the Company's share capital (see Page 71 of the AR, Note 18 – Share Capital and Treasury Shares). Are there any plans to utilise the share premium balance?

Reply:

Mr Seah replied that there is a grace period for the utilisation of the share premium balance of 24 months from 31 January 2017 and any decision would be announced after recommendation from the Board.

Question 3:

Could you please refresh us on the profit guarantee formulae of the MRPI purchase?

Reply:

Mr Seah replied that MRPI was allowed up to 2021 to accumulate the projected profit. If by 2020, the projected profit still could not be met and the shortfall is significant, then the contingent consideration payable would be reversed from the books of the Company.

Question 4:

Could you give us the order book of the Group? How much has been tendered for?

Reply:

Dato' Samsuri replied that there was an estimated RM100 million for manufacturing and RM60 million for construction in the order book. Bidding is in progress and we have tendered for jobs around RM150 million to RM200 million. The Company is looking forward to the many potentials out there in the market.

Question 5:

What is the current utilisation of the manufacturing plant?

Reply:

Dato' Samsuri replied that for Langat 2 Project, the current capacity is 40,000 metric tonne but the Company was producing at 30,000 metric tonne hence there was enough capacity.

Question 6:

Under Page 86, Key Audit Matters in the Independent Auditors' Report, it was stated that a factory, its plant and machinery have not been commissioned after several years. Would there be possible impairment on the plant and machinery?

Reply:

Dato' Samsuri replied that the plant and machinery could still be used and no impairment would be required at that point of time. The plant and machinery were valued at around RM8.2 million.

**The following questions 1 and 2 were raised by Mr Ng Soo Har @ Ng Seet Kow ("Mr Ng") and the Board responded as follows:**

Question 1:

I noted on Page 32 of the AR that the Group and Company registered losses at RM12 million and RM0.4 million respectively. What will be the outlook and prospect of the Company in the next five years?

Reply from Chairman:

Tan Sri Chairman replied that the outlook would be good as Langat 2 package would last till 2019 and the revenue for Majlis Sukan Negara ("MSN") Project would also take up to 2019.

Dato' Samsuri also mentioned that the next 5 years would have a very different economic scenario and the Company must be ready to seize the opportunities out there. He was of the opinion that the Government would address the NRW issue quite urgently once Air Selangor takes over from SPLASH. He commented that the replacement of old pipes especially in Selangor would be necessary as the cement pipes are already in use for more than 30 years. He mentioned that there are 6,000 km of asbestos pipes that would need to be replaced and it would take around 5 years with a contract sum of around RM2 billion. The Group was in discussion with Kumpulan Perangsang to take on any contract in the event Kumpulan Perangsang is awarded any project in Klang Valley. He opined that the critical areas for replacement would be such as Ampang and Bukit Antarabangsa areas.

Question 2:

I noted there is no "par value" in the accounts now. What is the Net Tangible Asset ("NTA") of the Company?

Reply:

Mr Seah replied that the NTA of the Company is RM1.42.

**The following questions 1 to 7 were raised by Mr. Sharn Lee Eng Shan, a proxy holder and the Board responded as follows:**

Question 1:

Following from the questions raised earlier, the RM400 million worth of works at the critical areas, how long would it take to complete the works?

Reply:

Dato' Samsuri replied that it would take as long as 2-3 years to replace the pipes at the critical areas as it is in the city. It would also depend on Kumpulan Perangsang's funding capabilities.

Question 2:

How long would it take to roll out the RM400 million projects?

Reply:

Dato' Samsuri replied that the proposal was already in the pipeline since last year. However, it all depends on Syarikat Air Selangor's launching its capital expenditure programme. He emphasized that getting the job may not be certain yet. Nevertheless, YLI is ready to work with Kumpulan Perangsang. He added that they are not able to determine the timeline because there's also delay in Langkat 2 Project.

Question 3:

What is the Company's capacity in pipes length (km)?

Reply:

Mr Seah replied that the capacity could not be measured by length as the pipes produced are in various diameters. It should be measured by metric tonne.

Question 4:

What is the plant utilisation rate?

Reply:

Mr Seah replied that the present utilisation rate was 50% but it could go up to 75%.

Question 5:

Just now there was a mention that companies were producing pipes at a loss. Why is that? How would the Company counter that and what is the competitors' landscape?

Reply:

Dato' Samsuri replied that the significant increase in raw material prices of more than 40% as well as the cost escalation in other factors of production (e.g. rising energy cost, minimum wage and withdrawal of various government subsidies) coupled with the competitive pricings by other market players (including the new entrants into the local market following the implementation of Asean Free Trade Agreement for the group's products since 1 Jan 2010) were the key reasons most pipe companies were producing at a loss. The Company would continue to look for ways to contain its production costs (especially those that are within its control), redouble its research and development effort and try to penetrate new markets to diversify its earnings base. As for the competitors' landscape, at the moment there are only 2 main players in ductile pipes industry and YLI is one of them. YLI's sales were to Malaysia, South East Asia, Sri Lanka, Singapore and Myanmar. YLI has an upper edge with customers due to its high quality. As for MS, there are 18 players. However, out of the 18 players, only 4 players are significant. For MRPI, it has 5 competitors but it only supplies to overseas as there was no demand for domestic market for these pipes at the moment.

Question 6:

As competition seemed healthy, why can't the Company pass on the cost to clients?

Reply:

Dato' Samsuri replied that they do pass on some of the costs to clients but only up to 5-7%. This could not cover the rise in prices of raw materials of more than 40%.

Question 7:

What is the profitability of the Group sweeping all the RM400 million contracts on the critical areas?

Reply:

Dato' Samsuri replied that the profitability of the project could not be ascertained yet as it depends on the timing & period of the project implementation and pricing of the raw material during that period.

**The following questions 1 and 2 were raised by Mr. Liew Yew Seng and the Board responded as follows:**

Question 1:

I would like to know how long would it take before the Company would be profitable in the books and in the stock market as so far the prospects given by the Board are merely intangible answers and all based on estimation?



Reply:

Mr Seah replied that the poor result of the Group was mainly due to the soaring raw material prices. They have implemented steps to contain cost. In the meantime, the Company would keep staff number down to reduce expenses. With the existing order books, he opined that the Group could register a profit if the cost of the raw material comes down by 40%.

Question 2:

How long is the term for the Banker's Acceptances ("BA")?

Reply:

Mr Seah replied that the terms of the BA are 120 – 150 days and they are cheaper than trust receipts. The BAs are used to purchase raw materials.

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