IPMUDA BERHAD

(22146-T)

(Incorporated in Malaysia)

Summary of Key Matters Discussed at the Forty-Second Annual General Meeting ("42nd AGM") of Ipmuda Berhad ("Ipmuda" or "the Company") held at Symphony 1, 1st Floor, Symphony Suites, No: 41 Lapangan Symphony Business Park, Jalan Lapangan Symphony, 31350 Ipoh, Perak Darul Ridzuan, Malaysia, on Thursday 25 May 2017 at 11.00 a.m.

A) All the following 10 Ordinary Resolutions tabled at the 42nd AGM were passed by the shareholders who voted by way of a poll and the results on voting by poll are as follows:

NO:	ORDINARY RESOLUTIONS	VOTE FOR		VOTE AGAINST		RESULT
		NO. OF SHARES	%	NO. OF SHARES	%	
1.	Adoption of Audited Financial Statement and Reports	52,522,444	100.0000%	-	0.0000%	CARRIED
2.	Payment of RM158,400.00 Directors' Fees	52,522,444	100.0000%	-	0.0000%	CARRIED
3.	Payment of Directors' Benefits to the Non-Executive Directors up to an amount of RM60,000.00 from 31.01.2017 until the next Annual General Meeting of the Company	52,522,444	100.0000%	-	0.0000%	CARRIED
4.	Re-appointment of Dato' Ahmad Bakri bin Shabdin as Director	52,522,444	100.0000%	-	0.0000%	CARRIED
5.	Re-election of Tan Sri Abu Sahid bin Mohamed as Director (Article 101)	52,522,444	100.0000%	-	0.0000%	CARRIED
6.	Re-election of Dato' Yap Wee Leong as Director (Article 101)	52,522,444	100.0000%	-	0.0000%	CARRIED
7.	Appointment of Auditors and to authorise the Directors to fix their remuneration	52,522,444	100.0000%	-	0.0000%	CARRIED
8.	Retention of Dato' Ahmad Bakri bin Shabdin as Independent Non-Executive Director	52,522,444	100.0000%	-	0.0000%	CARRIED
9.	Retention of Dato' Maarof bin H.A. Rahman as Independent Non-Executive Director	52,522,444	100.0000%	-	0.0000%	CARRIED
10.	Authority to the Directors to issue and allot shares pursuant to Section 75 and Section 76 of the Companies Act, 2016	52,522,444	100.0000%	-	0.0000%	CARRIED

The results of the poll were verified by the independent scrutineer, Messrs Symphony Corporatehouse Sdn Bhd.

B) **<u>Matters raised by the Badan Pengawas Pemegang Saham Minoriti Berhad (“MSWG”)</u>**

MSWG via their letter dated 24 May 2017 raised some queries, which were replied by the Company via its letter dated 24 May 2017.

Dato’ Abu Talib bin Mohamed, the Deputy Chairman, presided as Chairman for the 42nd AGM. He invited Mr David Chua Soon Li, the Chief Executive Officer of the Company, to read out the following questions raised by MSWG in their letter of 24 May 2017 to the Members present at the 42nd AGM and the Company’s reply to those questions raised:

Strategy & Financial Matters

Question 1: The Chairman’s Statement reported that the Group took steps on many fronts to consolidate its operations among which included the closure of cabinetry manufacturing, cabinetry retail and branches. In the Management Discussion and Analysis, it was reported that the Group’s business relied heavily on the general construction market as nearly 90% of its turnover derived from the trading and distribution of building materials.

Question: **(a)** Could the Board clarify the steps taken to improve the performance of the Group’s trading segment and its declining revenue for the past five years?

Reply: *In recent years, trading margins have been falling whilst costs and expenses have been on the rise. Due to this, the Group focused on shifting the sales mix from a traditional concentration of steel and cement, which is capital intensive yet low margins to higher margin finishing products and require less capital. Thus the group expanded its marketing team to promote specialist items with the aim to achieve better profit without utilising more capital even though revenue is lower.*

Question: **(b)** With the closure of cabinetry manufacturing, cabinetry retail, branches and the manufacturing plant, could the Board elaborate the inter-segment synergies between the Group’s trading segment, contracting, property development and manufacturing segment amid their declining revenues?

Reply: *Ipmuda was formed in 1975 to provide synergy for its founders, IGB and Mudajaya. Throughout its history, the Group has grown from trading building materials, to construction, property development and manufacturing in an effort to explore the potential of going upstream and downstream in the industry. This continue to be relevant to the Group and the result of declining revenue in recent years, has forced the Group to rethink, restructure and reorganise how we do our business and position ourselves stronger for the future. We continue to see benefits of these divisions and will embark to expand these divisions going forward, be it through organic growth, or even outsourcing, like what we have done with our kitchen and cabinet manufacturing.*

Question: (c) In accommodating a greater scope towards fulfilling the near term market demands for affordable housing as reported in the Chairman's Statement, what are the Board's strategy and plans for the fresh range of ironmongery products and the new range of sanitary wares to boost the Group's turnover?

Reply: *Due to the current development climate for residential, where it is very focused on affordable housing (particularly less than RM400,000), our customers require a different range of ironmongery and sanitary wares to cater to these specific target market. Thus we have introduced our new range of locksets under the Concorde brand that is more economical and is suitably priced for such housing projects. This range of locksets have already been tested and passed the ANSI grade 3 standards.*

Similarly, a new range of sanitary wares (Ortolani brand) will be used to the same effect. We have focused on branding these items aggressively and after getting the feedback from our customers, we are optimistic of the results in the near future.

Question 2: In the Management Discussion and Analysis ("MD & A"), it was reported that the Board was completing its planned re-organisation of the Group's Specialist Product Division and its product offerings to meet the demands of the Federal and State Agencies' affordable housing schemes and on-going projects throughout the country.

Question: (a) With the consolidation of the Group's business segments and operations in 2016, could the Board elaborate on the trading segment's main focus, the outcome of its re-organisation and its product offerings?

Reply: *In addition to expanding product lines, the re-organisation and implementation of ERP would position the Group into a much more leaner and efficient company that would be able to provide our customers with better products and services. In the short to medium term, we have now positioned our product range that would fulfil the requirements of PR1MA, SPNB, PPA1M, Rumah Selangorku and so forth.*

Question: **(b)** How much had the Board invested in brand building, in the building its supply chain and core competencies to strengthen its position in the project supply amid the closure of its branches and consolidation?

Reply: *The Group have built up Duraset locksets and nahm and Ottone Meloda for the mid to high end markets. We are currently building up Ortolani (Sanitarywares & Bathroom Accessories) and Concorde (Ironmongery) brands for mid to low market. We have expanded our specialist team in embarking on building these brands and training of newly set up marketing teams dedicated to promote our range of agency lines and own brands to the market. The closure of branches merely reflect the company's outlook for the future of its business at these selected locations, to determine the cost effectiveness and viability of maintaining them.*

Question 3: In Note 14 to the Financial Statements: Trade Receivables, on page 116 of the Annual Report, it was reported that companies in which certain Directors have substantial financial interests have outstanding trade receivables amounting to RM30,614,656 (approximately 16.7% of trade receivables of RM183,319,000 as at 31 December 2016).

Question: **(a)** Could the Board clarify the reasons why the companies concerned were not able to settle their debts under the Group's normal trading terms?

Reply: *The total trade receivables due from companies in which certain Directors have substantial financial interests as at 31 December 2016 was RM9,410,789 (2015: RM31,197,813).*

The Group have always trade with all Directors' related companies on an arm's length willing buyer willing seller basis which is consistent with the Ipmuda Group's usual prudent business practices and policies. The substantial amount of trade debts outstanding of RM22,724,300 as at end of the previous financial year arose from the Proposed Acquisition in 2013 of 24 units of office lots within Tower 3 of Maju Linq. This amount together with an agreed interest was subsequently fully settled in cash in 2016 upon the mutual termination of the aforesaid Proposed Acquisition by the related parties and the Company as disclosed in Notes 14(d) and 48 to the Financial Statements.

Question: **(b)** What is the Board's rationale to accept full settlement of the amount via contra of certain properties taking into account the Group's segment results were much reduced by high finance cost?

Reply: *The Board's rationale to accept full settlement of the trade receivables via contra of certain properties were as per stated in the Company's announcement dated 24 July 2013 and in the Circular to Shareholders dated 28 October 2013 in relation to the Proposed Acquisition of the said properties. The acquisition of the properties amongst others were to provide the Company the right of use of the properties for commercial purposes upon its completion. The Company has intended to lease the properties for rental income to further increase its source of revenue and income stream. Notwithstanding these, the Company had considered disposing the properties for capital gains should the opportunities arises.*

Question: **(c)** Could the Board explain the significant event during the financial year under Note 48 to the Financial Statements on page 144 of the Annual Report? It was reported that a conditional Sale and Purchase Agreement ("SPA") was signed between the Company and Maju Holdings 2016.

Reply: *As explained in the Company's announcement dated 22 April 2016 and to MSWG's letter dated 20 May 2016, Maju Holdings Sdn Bhd had offered the Company an option of either cash settlement or the asset upon the completion of the exercise. The Board opted for cash as it would improve the liquidity of the Company.*

Corporate Governance

Question: We note that the Board has tabled Resolution 3 seeking shareholders' approval for the payment of Directors' benefits up to an amount of RM60,000 from 31 January 2017 until the next AGM. Can the Board clarify the nature of these benefits?

Reply: *As explained in the Explanatory Notes on page 9 of the Annual Report, the aforesaid payable Directors' benefits comprise solely of meeting allowances and is calculated based on the number of scheduled Board's and Board Committees' meetings.*