

CME GROUP BERHAD

(Registration No.: 197901007949 [52235-K])
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 25TH ANNUAL GENERAL MEETING (“AGM”) OF CME GROUP BHD HELD AT PRECINCT ROOM, DORSETT PUTRAJAYA, LOT 3 (LOT 3C5) PRECINCT 3, WILAYAH PERSEKUTUAN BANDAR, 62000 PUTRAJAYA ON THURSDAY, 15 DECEMBER 2022 AT 10.30 A.M.

Y.M. Tunku Nizamuddin Bin Tunku Dato’ Seri Shahabuddin (“Tunku Chairman”) took the chair and called the 26th AGM (“Meeting”) to order. Tunku Chairman, after noting and confirming the presence of a quorum, called the Meeting to order at 10.35 a.m.

KEY MATTERS DISCUSSED DURING THE MEETING

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (“AFS”) TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS (“REPORTS”)

Tunku Chairman tabled the AFS together with the Reports and invited the shareholders/proxies to raise questions on any issues arising from the AFS together with the Reports.

A shareholder who was a representative of the Minority Shareholders Watch Group (“MSWG”), Mr. Lee Chee Meng (“Mr. Lee”), asked the Board to present the letter dated 9 December 2022 issued by MSWG to shareholders present.

Mr. Yap Wai Yee (“Mr. Yap”), the CEO then read the questions in the aforementioned letter for the benefit of the shareholders present and also presented the answers by the Board.

(1) Question 1 raised by MSWG

CME’s external auditor, Messrs Kreston John & Gan, continued to highlight the existence of a material uncertainty which may cast significant doubt about CME’s ability to continue as a going concern.

MSWG’S letter highlighted CME’s financial performance as below:

- As of 30 June 2022, the Group and the Company incurred accumulated losses of RM72 million and RM73.95 million respectively.

- For the financial year 2022 ("FY2022"), the Group recorded a revenue of RM15.95 million compared to RM4.15 million in the previous year. Despite the increase in revenue, it recorded a net loss of RM5.15 million.
- The Group and the Company's current liabilities exceeded their current assets by RM19.7 million and RM41.22 million respectively [Page 44, *Independent Auditors' Report, Annual Report 2022 ("AR2022")*].

Notably, this was also the 6th statement of "*Material Uncertainty Related to Going Concern*" ("MUGC") issued by the external auditors of CME since FY2016.

Considering the persistent MUGC highlighted by the external auditors and the ballooning accumulated losses, should the Company not adopt different strategies or business direction to turn around its performance?

Would the Board consider roping in more qualified and experienced directors or senior executives to turnaround the Company?

Answer by the Board to Question 1

The Group and the Company had adopted certain measures which were currently in progress, amongst which were:

(i) Actively participating in the tendering of projects

Recently CME had on 8 September 2022 secured a major contract worth RM145.8 million from the Ministry of Housing and Local Government for the supply of 150 units of Compact Fire Rescue Tender ("CFRT") via open tender. The contract is expected to contribute positively to the Group's financial performance;

- (ii) Expanding into new territories (overseas) and entering new products like Skylifts;
- (iii) Implement measures to strengthen the production team performance to ensure productive and effective production methods;
- (iv) Reduce operating costs, eliminate non-essential processes, reduce waste and reduce supply chain costs and inefficiencies; and
- (v) Recovery of the fair value of properties in the near future (post COVID-19 pandemic) which would improve the net asset position.

(2) Question 2 raised by MSWG

In September 2022, CME received a Letter of Acceptance from the Ministry of Housing and Local Government (Malaysia) for the supplying, delivering, testing, commissioning and acceptance of 150 units of CFRT for the Fire and Rescue Department (“FRDM”) for RM145.8 million. The contract will last for the next 72 months.

Prime Minister Datuk Seri Anwar Ibrahim recently emphasised his stance on no procurement by government agencies and ministries without proper tender.

With the change in the Federal Government, did the Group foresee a risk of the awarded contract being put on hold for re-evaluation or re-assessment?

Answer by the Board to Question 2

The Group did not foresee a risk of the awarded contract being put on hold for re-evaluation or re-assessment.

(3) Question 3 raised by MSWG

In FY2022, CME received two winding-up petitions from Bellajade Sdn. Bhd. (“Bellajade”) and Gemgreen Resources Sdn. Bhd. (“Gemgreen Resources”) for a collective sum of RM52.23 million.

Then in August 2022, CME was served with an application by Desa Tiasa Sdn. Bhd. to place the Company under Judicial Management (“JM”). The JM Application was filed pursuant to a debt of RM2.04 million owed to Desa Tiara Sdn. Bhd.

(a) Winding-up petitions filed by Bellajade and Gemgreen Resources

- (i) The Company’s solicitors believed that CME has a strong case to oppose the winding-up petition filed by Bellajade [*Note 38 – Material Litigation, pages 146 and 147 of AR2022*].

Please explain why the Company believed that it had a “strong case”.

- (ii) What was the solicitor’s view on the winding up petition filed by Gemgreen Resources?

(b) Judicial Management filed by Desa Tiara

JM allows a financially distressed company to place the management of the company in the hands of a qualified insolvency practitioner, known as the Judicial Manager, to provide the affected company with some breathing space to rehabilitate and save themselves from liquidation.

The JM order also allows the affected company to stay any legal proceedings for 180 days.

(Source: Information on Lee & Koh Advocates & Solicitors, Chooi & Company + Cheang & Ariff websites)

As of the date of the letter by MSWG, the date of the JM appointment had yet to be granted by the Court. The Company's solicitors were of the view that the judicial management application would highly likely be dropped as CME would be able to restructure its debts with its current creditors.

- (i) How likely was the possibility of CME being put under JM? What was the worst-case scenario if CME were to be put under JM?
- (ii) What is the power of a Judicial Manager? Does the Judicial Manager have the capacity to dispose of a company's asset during the appointment period?
- (iii) What would be the role of existing directors and management during the JM period?
- (iv) What would be the impact on Company, shareholders and employees if CME were put under JM?

Answer by the Board to Question 3(a)(i)

The Company's solicitors were of the opinion that the debt can be disputed and winding up was not necessary.

Answer by the Board to Question 3(a)(ii)

The Board of Directors was confident to resolve and settle amicably with Gemgreen Resources.

Answer by the Board to Question 3(b)(i)

If there were no opposition by other creditors, it would be highly likely that JM would be granted. If CME were put under JM, CME would enjoy a moratorium from creditors' actions and winding up petitions pending its restructuring.

Answer by the Board to Question 3(b)(ii)

If the JM were granted, the Judicial Manager would take over the role of the Directors and shall manage and restructure the Company. The Judicial Manager has powers to dispose of the assets, if necessary.

Answer by the Board to Question 3(b)(iii)

Under the JM, the role of the Directors and the management is to assist the Judicial Manager.

Answer by the Board to Question 3(b)(iv)

Should the Court grant an order for JM, there should be no impact to the Company, shareholders and employees.

(4) Question 4 raised by MSWG

Borrowing and lease liabilities were other Key Audit Matters highlighted by the external auditors, Messrs Kreston John & Gan.

As of 30 June 2022, the Group and the Company had total borrowings of RM21.95 million and RM99,000 respectively. At the same time, the Group and the Company relied on short-term financing facilities, e.g.: bank overdraft, cash-line financing and Islamic bank financing to sustain its business. The short-term borrowings comprised approximately 90% of CME's total borrowings.

- (a) How does the Company plan to restructure its financial condition and negotiate with creditors to minimise the risk of being wound up and put under judicial management?
- (b) In October 2022, CME announced the abortion of a private placement plan announced earlier. It would explore other fund-raising avenues to raise a higher quantum of proceeds to meet its business needs.

What are the funding options that CME is exploring? Which option is available for CME to readily tap into?

Answer by the Board to Question 4(a)

The Management was confident to resolve and settle amicably with the creditors.

Answer by the Board to Question 4(b)

The Management is exploring with investment bankers on a higher quantum of private placement and options to tap the debt capital market as well as long-term bank borrowings to meet the capital requirements of the Group.

(5) Question 5 raised by MSWG

In its AGM held in 2020, CME said it planned to dispose of the two parcels of land held for property development located on the Southwestern intersection of Mandurah Terrace and Henson Street in Mandurah, Australia.

- (a) What was the progress of disposing of the land?
- (b) What was the expected amount to be raised from the land disposal?

Answer by the Board to Question 5(a)

The Company was still in the midst of negotiation.

Answer by the Board to Question 5(b)

The proceeds from the disposal of the land was expected to be higher than the Net Book Value of RM12.29 million as at 30 June 2022.

(6) Question 1 raised by MSWG on Corporate Governance Matters

1. CME had three Independent Non-Executive Directors ("INEDs") sitting on its Board. Independent Non-Executive Director ("INED") Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj ("Tengku Putra") had served the Board for more than 22 years since 2000. Meanwhile, another INED, Ms. Ong Suan Pin, would soon reach her 12-year tenure in June 2023.

- (a) What was the progress of the process of identifying new independent directors to comply with the amendment of the

Main Market Listing Requirements of Bursa Malaysia Securities Berhad that limit the tenure of independent directors to not more than 12 years with effect from 1 June 2023?

How many candidates had the Nominating Committee screened, reviewed, and interviewed?

- (b) The Nominating Committee had recommended that the Board seek shareholders' approval through a two-tier voting process for Tengku Putra and Ms. Ong Suan Pin to be retained and re-appointed as INEDs of the Company at this Meeting [Page 23 of AR2022].

Why was the resolution on the retention of Tengku Putra as an INED via two-tier voting not tabled for shareholders' deliberation in this AGM (Notice of Meeting dated 17 November 2022)?

Answer by the Board to Question 1(a) raised by MSWG on Corporate Governance Matters

The Nominating Committee was in the process of identifying the candidates and the Company would make the appropriate announcement before the deadline of 1 June 2023.

Answer by the Board to Question 1(b) raised by MSWG on Corporate Governance Matters

Tengku Putra resigned on 16 November 2022 after the Annual Report was published on the website of Bursa Malaysia Securities Berhad on 30 October 2022 but before the Notice of AGM was issued on 17 November 2022.

There were no other questions raised by the shareholders/proxies present on this Agenda and Tengku Chairman declared that the AFS together with the Reports thereon had been duly received by the shareholders at the Meeting.

2. ORDINARY RESOLUTION 1-7 AND SPECIAL RESOLUTION 1

Tunku Chairman went through each of the resolution as set out in the notice of 26th AGM and there was no question raised for each Agenda.

CME GROUP BERHAD
KEY MATTERS DISCUSSED AT THE 26TH ANNUAL GENERAL MEETING ON 15
DECEMBER 2022

POLL RESULTS

After the process of voting by poll was concluded, Tunku Chairman reconvened the Meeting and invited the scrutineers, FLA, to announce the results of the poll vote as follows:

Resolutions	Voted In Favour		Voted Against		Results
	No. of votes	%	No. of votes	%	
Ordinary Resolution 1	310,473,613	100.0000	100	0.0000	Carried
Ordinary Resolution 2	310,473,613	100.0000	100	0.0000	Carried
Ordinary Resolution 3	310,473,713	100.0000	-	0.0000	Carried
Ordinary Resolution 4	310,473,713	100.0000	-	0.0000	Carried
Ordinary Resolution 5	310,473,713	100.0000	-	0.0000	Carried
Ordinary Resolution 6	310,473,713	100.0000	-	0.0000	Carried
Ordinary Resolution 7 - Tier 1	174,449,400	100.0000	-	0.0000	Carried
Ordinary Resolution 7 - Tier 2	136,024,213	99.9999	100	0.0001	Carried
Ordinary Resolution 7	310,473,613		100		Carried
Special Resolution 1	310,473,713	100.0000	-	0.0000	Carried

Based on the voting results, Tunku Chairman declared that all resolutions tabled at the AGM were duly carried.

3. CLOSE OF MEETING

There being no other business, the Meeting concluded at 11.45 a.m. with a vote of thanks to the Chair.