

COCOALAND HOLDINGS BERHAD
[Registration No. 200001013413 (516019-H)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED DURING 20TH ANNUAL GENERAL MEETING (“AGM”) OF COCOALAND HOLDINGS BERHAD DULY CONVENED AND HELD AT CRYSTAL 1, LEVEL 1, CRYSTAL CROWN HOTEL KUALA LUMPUR, 3, JALAN JAMBU MAWAR, OFF JALAN KEPONG, 52000 KUALA LUMPUR ON FRIDAY, 18 SEPTEMBER 2020 AT 10.00 A.M.

Dato’ Azman bin Mahmood (“the Chairman”) chaired the AGM of the Company. The Chairman called the meeting to order at 10.00 a.m. after the Secretary confirmed that the requisite quorum being present pursuant to the Company’s Articles of Association.

Briefing on the Group’s Performance for Year 2019

Mr. Tai Chun Wah (“Mr. Tai”), the Executive Director was invited to brief the shareholders on the performance of the Group for the year 2019. He presented financial highlights, products of the Group, Corporate Social Responsibility activities and promotional activities carried out.

Agenda 1

The Chairman informed that the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of Directors and Auditors thereon were circulated to all the shareholders of the Company within the statutory period. The Chairman then invited questions from the floor.

Mr. Koh, a shareholder inquired on the additional capacity of the new gummy line and the current utilization rate. Mr. Tai replied that the fourth line produces 4,000 mt per year on top of the 9,000 mt produces by the existing line. The current utilization capacity is between 80-90%. With the new product in the pipeline, the new line will be installed to occupy the spare capacity, hopefully will be fully utilized in 5 years’ time.

Mr. Koh then enquired on the expiring contracts and the plans to be taken by the Company. Mr. Tai informed that there were several manufacturing contracts that had expired in 2016 and 2017. However, other OEM contracts especially for gummy products continues to grow. Beverage products under Cocoaland’s brand will be launched to the market which will make up the loss in OEM beverage contracts.

In responding to further queries from Mr. Koh, Mr. Tai informed that the contribution towards revenue from beverage segment is approximately 10%. This consist of 40% own brand and 60% OEM. Total amount of contribution from beverage segment is approximately RM25m.

Mr. Koh asked if the beverage segment is making profits. Mr. Tai replied that the beverage segment has been making losses for 2017 and 2018 due to depreciation on the production line. The depreciation has reduced to RM2m in 2019 and will be fully depreciated in 2020. Thereafter, the breakeven point will be reached.

Mr. Koh asked what is the plan to improve the sale in beverage segment. He commented that Cocoaland can also consider divesting the segment if it is not profitable. He further mentioned that F&N is a partner of Cocoaland and could leverage on their success in beverage products. Mr. Tai informed that the Company is always opened to opportunity and explore all options available. Mr. Lim Yew Hoe added that F&N Singapore is still sourcing hot fill drinks from Cocoaland as the technology used by Cocoaland is different from F&N's. Whenever there is any product that cannot be produced by F&N internally, F&N will surely be working with Cocoaland.

Mr. Tai further explained that the plan is for Cocoaland to build its own products and not depending on OEM business. The R&D team are working hard to produce new products but there are certain procedures and guidelines to adhere to before these new products can be launched.

Chong Chit Seng, a shareholder asked for the breakdown of turnover. Mr. Tai replied that the spread is 1/3 OEM and 2/3 own brand. A&P cost is about 4-6% of the revenue. Mr. Tai reiterated that with the additional production capacity, the new line can have extra 4,000 mt which will boost capacity for both own brands and OEM products. It is important to carry on the OEM business due to the long-term relationship with the customers and with good profit margin.

In responding to query from a proxy holder, Mr. Lau Kee Von informed that Cocoaland's chocolate products cannot be sold in Japan because it does not meet the local standards. Cocoaland' main export market for chocolate is in middle east at the moment.

A proxy asked if the Company have any plans for M&A. Mr. Tai replied that the Board has allocated USD10m for M&A activities.

SJ, a proxy holder asked if Cocoaland has any plans to carry out business online. Mr. Tai replied that Cocoaland has been actively selling its products via e-commerce platform such as Lazada, Shopee etc.

A shareholder referred to Page 52 of the Annual Report and requested the Board to explain the rise in Other Receivables. Mr. Tai informed that the increase was relating to the deposit and prepayment for the machine vendor for the new gummy line project. He further explained that as at 31.12.2019, the machine has not been fully paid. The total CAPEX for gummy line is about RM50m. As at 31.12.2019, 2/3 of the total CAPEX has been incurred. There will be no further depreciation hence would not have any impact on the bottom line.

A shareholder asked about the company's policy in writing off receivables. Mr. Tai informed that credit term given to customers is between 30-60 days. Based on prudent concept, provision is made after 6 months of outstanding although the debts remain collectable.

A question was raised by a proxy holder on the Company's strategy in addressing the low return from cash deposit. Mr. Tai replied that the funds are being allocated for M&A activities, for future expansion and other opportunities.

A shareholder asked for explanation on the increase of Executive Director's remuneration. The Chairman explained that Cocoaland has been in business for more than 20 years. Many of the Executive Directors who founded the company did not draw high salary over the years to ensure sustainability of the Company. The Executive Directors have also worked extremely hard to ensure the Company's success and consistently rewarding the shareholders with dividend every year. The Chairman assured the shareholders that the increase in remuneration was carefully considered by the Remuneration Committee after comparing with market rate of other listed entities of similar industry and size.

A proxy holder asked if there is any impact resulting from the sugar tax imposed. Mr. Tai informed that the cost is passed on to the consumers.

Shan, a proxy holder asked about Cocoaland's global gummy share. Mr. Tai said that there is no available data on this. Cocoaland won approximately 60% of market share in Malaysia in gummy sale. Mr. Tai added that China market is one of Cocoaland's main focus especially in the Canton provinces. The Group is also planning to penetrate into Indonesia and Vietnam market.

There being no further questions raised, the Chairman declared that the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of Directors and Auditors thereon, be received.

For the rest of the items on the Agenda stated below, there were no questions raised by the shareholders. All the resolutions tabled at the Meeting and voted upon by polling were duly passed by the shareholders, with the results of the polling announced accordingly to Bursa Malaysia Securities Berhad on 18 September 2020.

Agenda 2

Ordinary Resolution 1 - Re-Election of Dato' Azman Bin Mahmood

Ordinary Resolution 2 - Re-Election of Liew Fook Meng

Ordinary Resolution 3 - Re-Election of Soh Swee Hock @ Soh Say Hock

Agenda 3

Ordinary Resolution 4 - Payment of Director's Fees and Benefits

Agenda 4

Ordinary Resolution 5 - Re-Appointment Messrs. UHY as the Auditors

Agenda 5

Ordinary Resolution 6 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Agenda 6

Ordinary Resolution 7 - Proposed Renewal of Share Buy-Back Authority

Agenda 7

Ordinary Resolution 8 - Proposed Retention of Dato' Azman Bin Mahmood as Independent Non-Executive Director

Ordinary Resolution 9 - Proposed Retention of Chow Kee Kan @ Chow Tuck Kwan as Independent Non-Executive Director

Ordinary Resolution 10 - Proposed Retention of Tan Sri Dato' Sri Koh Kin Lip as an Independent Non-Executive Director