

JAG BERHAD

(Company No. 439230-A)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTIETH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT PERMAI 1, 1ST FLOOR, KOTA PERMAI GOLF AND COUNTRY CLUB, NO. 1, JALAN 31/100A, KOTA KEMUNING, SECTION 31, 40460 SHAH ALAM, SELANGOR DARUL EHSAN ON MONDAY, 21 MAY 2018

At the Twentieth Annual General Meeting of the Company held on 21 May 2018, all the resolutions as set out in the Notice of the Twentieth Annual General Meeting dated 21 May 2018, were duly passed by way of poll by the shareholders and proxies present thereat.

The following are the key questions that were raised from the floor, which were adequately responded and addressed by the Board and Management:-

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

Some shareholders raised questions on the following matters:-

1.1 Mr. TQ Wong, a shareholder complimented the improvement in financial performance of the Company for the financial year ended 31 December 2017 ("**FYE 2017**") then raised several questions and the responses from the Board and Management as follows:-

Q1. Will there be any impact to the Company and its subsidiaries ("**the Group**") upon the implementation of zero-rated Goods and Services Tax ("**GST**")? Will the Group be benefited from the subsequent implementation of Sales and Services Tax ("**SST**")?

A1. Mr. Kek Beng Soon ("**Mr. BS Kek**"), the Financial Controller of the Company informed that the implementation of zero-rated GST for the months from June to August 2018 would have no major impact to the active subsidiary of the Group, i.e. Jaring Metal Industries Sdn. Bhd. ("**JMI**") as JMI disposed the commodities it extracted via the overseas commodity exchanges.

Whilst for the SST, it would be applicable to JMI and based on past experience (with the previous regime of SST), there would not be major impact to the cost of doing business of JMI.

Q2. What was the impact to the Group on the enforcement of increased minimum wages as suggested by the new Malaysian Government? What was the current number of workforce in the Group in total?

A2. Mr. Goh Chee Hong ("**Mr. CH Goh**"), the Finance Manager of JMI, responded that the Group had approximately 110 workers. In view of the lean structure, Management did not expect a major financial impact to the Group on the enforcement of increased minimum wages.

Q3. Will the trade war between United States and China ("**Trade War**") slow down the electrical and electronic ("**E&E**") sector and subsequently affects the turnover of the Group? Will there be any impact to the Group arising from the Trade War?

A3. Datin Tan Siew Ching ("**Datin Chairperson**") informed that JMI was involved in the waste recycling/ extraction business and would therefore not likely to be affected by the Trade War in terms of

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material sourcing. However, the Trade War may cause further volatility to the global commodity prices. As a mitigating measure, the Board has proposed for diversification of the business of the Group to include property development and property investment ("**Diversification**") to diversify its earning streams.

- Q4. Are there any other options being considered by the Management, in addition to the Diversification?
- A4. Datin Chairperson informed that Management has been constantly looking for viable business opportunities and/or business partners for potential joint ventures. Announcement(s) would be made should any of the business ventures be confirmed.
- Q5. How much was the take-up rate for ARCA project at Klang, spearheaded by JAG Land Sdn. Bhd., the property development segment of the Group?
- A5. Datin Chairperson informed that ARCA project had already been opened for booking and the response was encouraging. An official launch of the said Project would be made upon completion of the sales gallery.
- Q6. Will the pricing for the coin-operated laundry services be reduced subsequent to the implementation of SST?
- A6. Mr. BS Kek replied that the coin-operated laundry business was started with 6% GST and JAG Nasmeh Sdn. Bhd. ("**JAG Nasmeh**"), being the owner of the business had absorbed the GST. Therefore, the zero-rated GST would have no impact to the business, but Management was in discussion on adjustment to the pricing of the services upon implementation of SST.

The shareholder further suggested that the customers should be made aware of the absorption of GST by JAG Nasmeh.

- Q7. The recent declaration of final dividend of RM0.001 per ordinary share for FYE 2017 was minimal. The shareholder suggested the Board of Directors to consider another declaration of dividend in another six (6) months.
- A7. Datin Chairperson informed that the Group had been progressively improved its financial position, since its loss-making days in FYE 31 December 2015.

Whilst acknowledging the minimal dividend payout thus far, Datin Chairperson informed that the Board would need to balance the need for working capital requirements and cash flow position whilst considering any dividend payout to the shareholders.

However, Datin Chairperson assured that it was the priority of the Board to reward the shareholders of the Company in tandem with the improvement in the financial performance of the Company.

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Q8. Referring to page 87 of the Annual Report 2017 ("**Annual Report**"), it was noted that the staff costs were increased from RM6.458 million in the financial year ended 31 December 2016 ("**FYE 2016**") to RM11.206 million in FYE 2017, representing an increase of approximately 73%. What was the justification for such increase?

A8. Datin Chairperson directed the shareholders present to refer to page 113 of the Annual Report, on the breakdown of the staff costs for FYE 2017.

The significant increase in staff costs for FYE 2017 as compared to FYE 2016 was due to the over recognition of share options expenses in prior year in FYE 2016, increase in headcount of employees and payment of staff bonus in FYE 2017. She also highlighted that there was no bonus payment to the staff in financial year ended 31 December 2015 due to the financial performance of the Group and the bonus in FYE 2017 was to reward the hard work of the staff.

Mr. CH Goh added that the headcount in FYE 2017 had increased by approximately 30% as compared to FYE 2016.

1.2 Mr. LS Kow, a shareholder enquired the following questions to the Board and responses from the Board and Management as follows:-

Q1. What is progress of acquisition of the industrial lands located at Sungai Buloh?

A1. Mr. Ng Seng Teck, the Project Manager of the JAG Land Sdn. Bhd. replied that the negotiation for the said Acquisition was ongoing and has yet to be finalised at the juncture.

Q2. Was there any impact from the formation of the new Malaysian Government in relation to any new regulations to be imposed to the e-waste business, which would restrict its business?

A2. Datin Chairperson informed that in view that the new Malaysian Government has yet to re-iterate its policy on environment protection, it would be premature to ascertain the impact at the juncture.

Datin Chairperson added that the e-waste business was governed by the Department of Environment of Malaysia ("**DOE**"), and JMI was one of the main task forces contributing ideas to the DOE on innovation in e-waste industry in Malaysia, therefore, it was not expected that the new Malaysian Government would in-place restrictions to the development of e-waste business.

Q3. The shareholder raised his concerns on the lapse of options issued under the share issuance scheme ("**SIS**") ("**SIS Options**") implemented by the Company in 2015. He added that the SIS Options were not exercised by the employees of the Group and viewed it as a waste of energy and resources for the implementation of the SIS.

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- A3. Mr. BS Kek informed that the remaining unexercised SIS Options were held by the directors of the Group, of which 40% had been exercised whilst the staff portion had lapsed.
- 1.3 Mr. CR Gor, a proxy raised the following questions and responses from the Board and Management as follows:-:-
- Q1. By making reference to pages 87 and 113 of the Annual Report, what is the reason for the inconsistency on the increase in inventories versus revenue? He gave examples that the increase in raw materials and copper price should subsequent lead to similar ratio of increase in the revenue.
- A1. Datin Chairperson clarified that the accumulated inventories were due to contractually-bound purchases. The mineral extracted from the wastes purchased/ collected would be disposed-off vide the respective commodity exchanges depending on the prevalent commodity prices. As such, there would not be a direct correlation between the inventories and the revenue generated.
- Dato' Ng Meow Giak ("**Dato' Nigel Ng**"), the Executive Director, added that JMI had secured several new contracts in 2017 and therefore, there was an increase in inventories. Management was in the midst of expediting the production process in order to increase the output of minerals which would in turn stabilise the inventory level.
- Q2. How long was the duration of the contracts secured by JMI? JMI should improve its efficiency as the sales margin was slim.
- A2. Datin Chairperson shared that the Group had allocated budget of RM3.0 million for capital expenditures for FYE 31 December 2018. Several new equipment would be bought in to enhance and boost the efficiency of the production process.
- Dato' Nigel Ng replied that the length of the contracts ranges from 1 to 3 years, and with some one-off contracts.
- 1.4 Mr. JS Chong, a shareholder enquired the strategic focus for manufacturing segment for the next three (3) to five (5) years, subsequent to the Diversification and the view of the Board in respect of the prospect of e-waste industry in Malaysia, the competition in the industry and whether there was new regulation on importing of commodities, especially from China.
- Datin Chairperson responded that the e-waste business would remain as the core business of the Group. The Diversification was meant to reduce the dependence on the existing core business of the Group, and to generate additional revenue to the Group.
- JMI was also exploring contracts for other wastes, and not merely e-waste, as JMI is a total waste management centre.

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For the three (3) to five (5) years plan, Management was sourcing for potential joint ventures partners who had same value to work with in long-term.

Datin Chairperson shared that the Malaysia Investment Performance Reports 2016 & 2017 issued by Malaysian Investment Development Authority ("**MIDA**") has reported projects with value of RM9.2 billion were invested in the E&E industry of Malaysia in 2016, and RM9.7 billion for 2017, being the second largest contributor to the approved investments. Management was therefore optimistic on the prospects of the E&E industry of Malaysia.

Dato' Nigel Ng explained that JMI was not allowed to import waste from oversea as the Malaysian Government encourages Malaysians to treat its own waste. Therefore, there would be no change to the regulation on import of wastes.

Dato' Nigel Ng informed that there were approximately 20 companies with full recycling license in Malaysia, and the market was competitive.

- 1.5 On top of Mr. JS Chong's questions, Mr. TQ Wong enquired if JMI was the biggest player in the market.

Datin Chairperson then responded that JMI was the top 3 players in the industry according to a survey carried out in October 2017.

2.0 SPECIAL BUSINESS
ORDINARY RESOLUTION 8
- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

Mr. LS Kow, a shareholder raised some questions and the responses from the Board and Management were as follows:-

- Q1. What was the share price for the shares bought back by the Company?
- A1. Mr. BS Kek replied that the purchase consideration was RM0.10 per ordinary share.
- Q2. What was the reason to obtain this approval? Did the Company had an intention to purchase its own shares?
- A2. Datin Chairperson explained that this Resolution was to renew the authority for the Company to purchase its own shares. It would be cost effective to obtain approval for this Resolution, as the Company need not convene a separate Extraordinary General Meeting to obtain approval when the Directors decided to perform a share buy-back.

Datin Chairperson highlighted that the Board would carefully deliberate the prior to each share buy-back.

For the rest of the items on the Agenda, there were no questions raised by the shareholders and proxies at the Twentieth Annual General Meeting of the Company.