



CAELY HOLDINGS BHD

Registration No.: 199601036023 (408376-U)

CAELY HOLDINGS BERHAD
[Registration No. 199601036023 (408376-U)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

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Key matters discussed at the 26th AGM are summarised as follows:

- 1)
 - Legal quagmire, loss-making businesses, frequent boardroom changes, allegations of suspicious and irregular transactions, and alleged funds misappropriation by directors are critical issues the new Board faces. What is the primary focus of the new Board, and how do the newly-appointed directors resolve these issues?
 - The Company has been suffering losses for the past 3 financial years, what is the Group's business direction moving forward?
 - Dragging by the loss-making property and construction division, Caely has been in red for the past three financial years/period. The Company posted a net loss of RM7.2 million in FPE2022. Instead of expanding the loss-making property division, should the company not focus more on the profitable manufacturing business to turn around the Company?
 - Special Resolution 1 - It is stated that the proposed change of name is to have a new corporate identity for the Company's existing and future undertakings. Classita is the manufacturing arm. Is that meant the future of Caely Group will be tuned towards the manufacturing segment instead of the property development segment?

Answer: The primary focus of the new Board is to ensure business sustainability of the Company's core business in manufacturing lingerie and also reviving the property development business which was previously left dormant in order to expand the Company's income stream and not place sole reliance on the manufacturing business (which may include but not limited to expanding to Indonesia).

As for the allegations of suspicious and irregular transactions and alleged funds misappropriation by directors, the Company has already lodged a police report and initiated a civil suit against the parties, and also appointed the forensic auditor, Virdos Lima Consultancy (M) Sdn Bhd to continue their audit of the said allegations.

- 2)
 - Manufacturing of undergarment and lingerie is labour intensive. On 1 May 2022, the Malaysian Minimum Wages Order 2022 came into operation which increased the minimum monthly wage of employee to RM1,500 and going forward the weekly working hour will reduce from 48 hours to 45 hours. What are the Company's plans to overcome the increased labour cost and also the stricter rules imposed by the Government for the hiring of foreign labour?



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- What is the impact of minimum wages to Caely? How's the impact of minimum wage arising from the amendments to Malaysia's Employment Act which scheduled to come into force on January 1, 2023?
- Page 19 to the Annual Report - It is stated that a subcontractor will be appointed to pursue the JV in Indonesia. However, the latest announcement stated that Classita will enter into a shareholders' agreement to set up a new JV company in Indonesia. Can the Board please advise to the shareholders regarding your direction / decision for venturing into the Indonesia market?

Answer: There is an impact on minimum wage. In mitigation, the Group has continuously engaged subcontractors in foreign countries such as Myanmar and Bangladesh, to take advantage of cheaper labour costs and the import duties exemption incentive granted by the importing countries. The Company recent move was to set up a new subsidiary with P.T. Bintang Mas Jogja in Indonesia as part of our plan to ensure consistent supply of labour and effective control of our production cost.

Our Product Development Team is striving to look for ways through their design and fitting to shorten the manufacturing processes and hence reducing manpower cost.

The Company also conducts continuous training as part of our routine program to monitor and improve our productivity of skilled labour.

We may look into replacing or upgrading some equipment or machineries that will automate some of the processes to reduce the reliance on workers.

- 3) How soon will the Management be able to turn around the property development and construction division?

Answer: Management will strive their best to turnaround the property and construction division and expects to turnaround within 2 years.

- 4) How did Virdos Lima manage to email a draft report of its investigation findings, on and dated 7 April 2022, to Caely and CMSB through its previous board of directors when it was just appointed as the forensic auditor on the same day?

Answer: According to Virdos Lima, they were appointed on 28 March 2022 (pursuant to an engagement letter signed with them by the previous director) and had started their fieldwork on 4 April 2022.

- 5) ○ Based on the announcements, Virdos Lima could not complete its forensic audit works on CMSB. Please clarify the veracity of the allegations of suspicious and irregular transactions against CMSB. Are the allegations of suspicious and irregular transactions at CMSB related to recent legal actions Caely pursued after ex-directors and senior officers to recover the alleged misappropriated RM30.55 million?
- What is the latest status of forensic audit carrying out by Virdos Lima Consultancy (M) Sdn. Bhd.? When will the Board brief the stakeholders regarding the updates of



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their findings?

Answer: We are awaiting the final findings report from Virdos Lima.

- 6) Will the Board consider appointing a new forensic auditor to complete the unfinished auditing works?

Answer: The Board will continue to allow Virdos Lima to complete the unfinished auditing work as the Board does not wish to halt the appointment of Virdos Lima by the previous Board.

- 7)
- Based on remarks made by Virdos Lima that it was not provided with the complete documentation and information to enable them completing its forensic audit works on CMSB (pages 186 and 187 of AR2022), how does the Company improve its internal control processes moving forward?
 - How effective is it regarding the existing Anti-Bribery and Anti-Corruption, Whistleblowing, Code of Conduct, Risk Management, and Internal Controls processes and mechanism of Caely?"
 - Page 45 to the Annual Report - Surprisingly, Caely as a listed entity, have critical deficiencies in terms of each of the Adequate Procedures (related to the Corporate Liability - S17A MACC Act) T.R.U.S.T Framework. What are the measures taken by the new Board to enhance Caely's application of the adequate procedures?

Answer: The Board will engage with its internal auditors and also reassess any weaknesses in its internal control procedures and improve on the weaknesses, where required.

- 8)
- On 18 April 2022, the Malaysian Anti-Corruption Commission (MACC) issued a freezing order to freeze all the bank accounts of Caely and its subsidiaries. Consequently, Caely could not make any payment to suppliers, salary banks or any party. The total sum of monies involved is reported to amount to approximately RM20.6 million (Key Audit Matters (iv), page 68 of AR2022). Caely's announcements back in April 2022 did not explain the events leading to the issuance of the freezing order. What led to the issuance of freezing order? Has the Board resolved these issues? How is the progress of unfreezing these accounts?
 - Please enlighten shareholders on the cashflow situation of Caely, especially considering the frozen bank accounts and the claim that two shareholders had advanced to Caely approximately RM4 million to sustain the day-to-day operation and/or management costs of the Company (Announcement dated 8 November 2022).
 - What are the latest updates regarding the bank accounts being frozen by MACC? How much fund is being frozen? Does Caely able to utilise such cash? If it can't, why such cash still being presented as current assets? If it can, how's the process to disburse / withdraw the cash from the frozen bank accounts?

Answer: The Board will continue to engage with MACC and provide all the necessary



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assistance to them for them to complete their investigation. In relation to cash flow situation, the Company is able to seek approval from MACC for any urgent payment to suppliers, staff salaries and any payments in the ordinary course of business.

- 9) Mr Ng Keok Chai, Mr Leong Seng Wui and Mr Kenny Khoo were appointed as executive directors (EDs) of Caely in August and September 2022. EDs are considered full-time employees of a company. What are the roles and duties of each of the three EDs in the day-to-day business of Caely? Please justify the need for having three EDs for a small-cap PLC like Caely.

Answer: Mr Ng Keok Chai is the Executive Chairman of Caely. He is responsible for the management, the development and the effective performance of the Board, and provides leadership to the Board for all aspects of the Board's work. Mr Leong Seng Wui is the Executive Director in charge of Operations and Mr Kenny Khoo is the ED in charge of all finance matters.

Each of the 3 EDs has a distinct role in the Company, even though Caely is a small-cap PLC.

- 10) Mr Leong and Mr Kenny Khoo also hold executive roles in other PLCs. Mr Leong is also the group executive director of Green Packet Berhad, while Mr Kenny Khoo is an ED of Green Packet, Mmag Holdings Berhad and CSH Alliance Berhad (page 14 of AR2022). EDs are expected to devote their full-time commitment to the Company to ensure the smooth implementation of the company's strategies and decisions. They are expected to provide executive leadership to the management and have overall responsibility for the operational activities of the Group. Given the importance of EDs to a company, why do Mr Leong and Mr Kenny Khoo commit to multiple executive roles in a few PLCs?

Answer: The Board has established clear roles and responsibilities for the Executive Directors ("EDs"). The EDs are responsible for the overall management of the operations and affairs of the Company and they are fully supported by a team of experience management who are tasked to be responsible for the day-to-day operations of the subsidiaries whilst the EDs have the overall oversight of the operations and affairs of its subsidiaries.

The EDs shall report to the Board on significant decisions and developments relating to the Group on at least a quarterly basis.

The Board takes the view that both Mr. Leong and Mr. Kenny Khoo are able to discharge their duties diligently despite their multiple executive roles.

- 11) How do Mr Leong and especially Mr Kenny Khoo perform their commitment to Caely given their executive positions in other listed companies?

Answer: Mr Kenny Khoo is mainly focus on the finance and corporate matters of Green Packet, MMAG Holdings Berhad and CSH Alliance Berhad. He will provide the necessary



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support to operation and other matters as and when requires. Mr Kenny Khow also has key competent financial controllers, managers and/or accountants reporting to him in other listed companies. In addition, the finance division of the 4 group of companies are based in two locations which eases his time in managing these 4 groups of companies.

Mr Leong also has key Head of Departments to assist him in managing the 2 groups of companies.

- 12) ○ Caely's Board comprises seven male directors with extensive experiences in enforcement, legal, accounting and technology industries. How does the current board composition reflect the diversity of skills and gender, which is closely related to Caely's core business of manufacturing and sales of lingerie products business?
- Caely's main business is pertaining to female customers segment, but there is none female Director in the board after the resignation of Datin Fong. Is the current Board really able to understand the Caely's main business and develop thereon?"

Answer: The Board believes that it is of utmost importance that the Company has an effective Board to discharge their duties effectively in the best interests of the Company.

Whilst the Board is made up of members with diverse backgrounds, skillsets and experience, members of the Board in particular Mr. Leong and Mr. Kenny Khow are equipped with entrepreneurial business skills and knowledge as well as extensive business networks which benefits the core business of the Group.

- 13) Who are the current CEO and CFO of Caely? Why are their profiles not included in the Annual Report?

Answer: There is no current CEO or CFO as our Executive Directors, Mr. Leong and Mr. Kenny Khow currently helmed the respective roles accordingly.

- 14) With effect from 1 June 2022, PLCs must have at least one woman director sit on their board. How is the progress of identifying women directors to comply with the requirement?

Answer: The Board supports diversity for the selection and appointment of Directors for the purpose of enhancing Board effectiveness and will comply with the Main Market Listing Requirements to have at least one woman director by 01 June 2023.

- 15) Caely has departed from applying Practice 5.9 of the Malaysian Code on Corporate Governance (MCCG), which encourages the Board to comprise at least 30% women directors. Does the Company plan to appoint more women directors to the Board to the extent of applying Practice 5.9 of MCCG?

Answer: The Board also cognisant on Practice 5.9 however at this juncture, the Board does not intend to appoint persons as Directors by reason of their gender as token representatives on the Board.



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- 16) The Company also departed from applying Practice 5.10 of MCCG, which encourages the disclosure of gender diversity policy for the board and senior management in the annual report. When will the Company formally establish such a policy?

Answer: The Board is in the midst of finalising a gender diversity policy and will publish on the Company's website in due course.

- 17) Please provide a breakdown of the fees (by the executive and non-executive director), allowance, and benefit-in-kind.

Answer: The Board had recommended the following:

- Fees of RM3,000 per month for each independent director
- Fees of RM12,000 per month for the Executive Chairman
- Additional fees of RM1,500 per month for the Audit Committee Chairman.
- Meeting allowance of RM500/-
- Other benefits namely training & development, insurance, travelling & accommodations (applicable for directors residing outside Klang Valley) will be on reimbursement basis

The proposed amounts tabled for shareholders' approval at the AGM are in the best interest of the Company and had been estimated based on the number of directors and scheduled meetings of the Directors.

- 18) The Company has tabled a special resolution in the upcoming annual general meeting to change its name from Caely Holdings Bhd to Classita Holdings Berhad. The move is to have a new corporate identity for the Company's existing and future undertakings (Notice of Meeting dated 31 October 2022). What message does the Board intend to convey to investors and stakeholders by changing the name from Caely to Classita?

Answer: Classita is derived from our lingerie company and brand, Klassita and this change of name is to have a new corporate identity for the Company's existing and future undertakings

- 19) ○ The Group has a total of RM20.8 million impairment recognised on the trade receivables. What are the actions taken by Caely to recover these outstanding sum? Please provide a breakdown of this RM20.8 million as to which segment that the balance belongs to. With this high-level of loss allowance, what improvements had the Board / Management taken towards its credit risk management and credit evaluation mechanism?
- The impairment of trade receivables as at 30 June 2022 was amounted to RM 20,779,380, which is approximately 71% of the trade receivables. Does the Board have any plan to recover the impaired receivables?

Answer: The impairment was mainly coming from property development and



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construction segment. The management is currently taking steps to recover the debt partially such as negotiate with the receivables on instalment plan or rescission of contract to take back the property sold.

- 20) As of 30 June 2022, property development cost stated at cost and net realisable value amounted to RM24.76 million. Please explain the likelihood of net realisable values exceeding future selling prices, thus resulting in more losses when inventories are sold.

Answer: The property development cost amounting to RM24.6 million are supported by the latest valuer's valuation assessment and is unlikely for its net realisable values exceeding its future prices.

- 21) Reconciliation of tax expense - There is RM4,830,000 being utilisation of deferred tax asset not recognised. If the deferred tax asset is not recognised in the Caely's accounts ie. off balance sheet, why such utilisation will give rise to tax expense of the Group? What are the nature of such deferred tax assets not recognised in the first place? Deferred tax assets are meant for future deductible temporary differences and hence, why was it attracted tax expenses to the Group?

Answer: The deferred tax assets is for Caely (M) Sdn Bhd which was recognised previously as a deferred tax asset. In the current year, it is being reversed due to continuing loss and unable to justify the deferred tax asset.

As for the tax expense, it was provided for the manufacturing segment which is deemed a separate business source income and cannot be offset.

- 22) Administrative expenses increased from RM8,170,000 in FY2021 to RM13,261,000 in the current financial period. Shall we extrapolate the RM8,170,000 for 15 months, it should be around RM10,213,000. There's still an increase of circa. RM3 million in administrative expenses. What were the expenses that led to such increase of RM3 million in administrative expenses?

Answer: The increase was mainly due to professional fees of approximately RM1.3 million and inventories written down of RM0.4 million.

- 23)
 - Will the Board consider giving door gift such e-voucher or e-wallets for those participating in this AGM as a token of appreciation? "
 - Why there is no door gift given this year?
 - Good morning Mr. Chairman and board of directors. Kindly give us RM20 Touch-n-Go e-wallet for being loyal shareholders and attending this AGM. Times are bad now. Please be considered to us shareholders during this trying times. Thankyou.

Answer: We will take note of this and will consider for the next AGM.



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