



FITTERS DIVERSIFIED BERHAD

198601000595 (149735-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SIXTH ANNUAL GENERAL MEETING (“36TH AGM” OR “THE MEETING”) OF FITTERS DIVERSIFIED BERHAD (“FITTERS” OR “THE COMPANY”) HELD AT TOPAS ROOM, GROUND FLOOR, THE SAUJANA HOTEL KUALA LUMPUR, SAUJANA RESORT, JALAN LAPANGAN TERBANG SAAS, 40150 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 22 SEPTEMBER 2022 AT 10.00 A.M.

QUESTIONS RECEIVED FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”) PRIOR TO THE MEETING

- Q1. FITTERS operates a medical waste treatment plant in Sendayan Tech Valley, Negeri Sembilan that can treat up to 10 metric tons a day of medical waste. Since commencing operations in September 2017, this plant has received medical waste from more than 4,000 private healthcare centres all over the Peninsular Malaysia. (page 13 of Annual Report (AR) 2022)
- (a) How much was the revenue and operating profit contribution from the medical waste treatment plant in FY2022?

Answer:

Financial Period Ended 2022 (“FPE 2022”)	RM’000
Revenue	4,866
Operating loss	(1,287)

- (b) What was the average utilisation rate for this plant in FY2022? What is the current utilisation rate?

Answer:

Capacity* [A]	Actual Waste received [B]	Utilisation rate [B/A]
3,310 ton (331 days x 10 tons)	2,139 tons	65% Actual waste received / Capacity

* The above calculations were based on the total operation days for FPE 2022 (15 months) i.e. 331 days for a maximum capacity of 10 tons per day.

- (c) What was the total capex for this plant and the projected return on investment?

Answer:

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The total capex for this plant is RM26.6 million. Currently, the medical waste treatment business is in a loss position. The management is doing their best to address this situation and hopes to turnaround this business, banking on the growth of the Malaysian healthcare industry.

Although in a loss position, the Company is still striving for improvement. The Company is operating Ozone Medical Waste Treatment process for the sterilisation of the medical waste generated. As compared to conventional methods of treatment by incineration, the Ozone medical waste treatment plant does not generate any forms of pollutants that could degrade the environment as there is no consumption of chemicals or fuels in the process. There is no emission of Greenhouse Gas as the process does not use any form of thermal heating or burning, therefore making this a truly environmentally friendly solution.

Q2. On 22 April 2022, FITTERS entered a letter of intent with Molecor Tecnologia S.L. for the sale of Molecor SEA Sdn Bhd (the Group’s subsidiary engaged in manufacturing and distribution of HYPRO® PVC-O pipes). Additionally, the Company also entered a Letter of Intent with United Sapphire Sdn Bhd for the sale of its land and factory building in Kuantan, Pahang which is engaged in the manufacturing of HYPRO® PVC-O pipes. (page 15 of AR 2022)

(a) What is the latest status of the proposed disposal of your 72.27% stake in Molecor SEA Sdn Bhd? What are the chances that this deal will not go through?

Answer:

On 29 July 2022, FITTERS had entered into a Sales and Purchase Agreement with Molecor Technologia S.L. for the disposal of a 72.27% stake in Molecor SEA Sdn. Bhd.

The sale is subject to the fulfilment of conditions precedent as detailed in the announcement to Bursa Malaysia Securities Berhad dated 1 August 2022.

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- (b) What are your plans for the RM30 million proceeds from these disposals? Please provide the breakdown of the planned utilisation of proceeds.**

Answer:

As the Renewable & Waste-to-energy Division and the Fire Services Division are the main revenue contributors to FITTERS and its subsidiaries (“FITTERS Group”), it is expected that the proceeds from these disposals will be directed mainly for the working capital requirements of these two (2) divisions.

- Q3. The manufacturing and distribution of HYPRO PVC-O pipes segment recorded higher revenue in FY2022. However, the Group was experiencing a slowdown in the utilisation of inventories. For FPE2022, most of the project deliverables were taken from the Group’s existing stockpile and this led to the Group’s plant being under-utilised, while the plant continued to have fixed overhead charges. The increase in loss before tax is mainly due to the under-utilisation of the plant and its fixed overhead charges incurred. (page 15 of AR 2022)**

What was the average utilisation rate for the HYPRO plant in FY2022? What is the required utilisation rate for this plant to break even?

Answer:

The average monthly output for FPE2022 was 8,000 metric tons. The low utilisation was due to the availability of ready inventories (finished goods) that may be supplied to customers and lower additional production was required to fulfil orders.

The breakeven utilisation rate is estimated to be 50%. However, this figure depends on the sales margin from orders.

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Q4. During FY2022, other receivables of FITTERS Property Development Sdn. Bhd., a direct subsidiary of the Group had accumulated to RM45,096,662. On 8 November 2021, the Group had entered into a settlement agreement with the aim to fully settle the outstanding receivable on the terms that RM14,161,818 is to be written off. (page 138 of AR 2022)

(a) Please elaborate more on the terms of the settlement agreement. On what basis did the Company accept these terms?

Answer:

Due to the various business dealings and engagement between FITTERS and the counterparty over the years, both parties have mutually agreed to arrive at a full and final settlement in respect of the Previous Business Dealings ie. past projects and ongoing projects such as Azalea project which completed in the year 2020 and current on-going Belleza project as a continuation of the second phase project awarded by Pencala Jaya Sdn. Bhd., especially on any and all outstanding payment obligations and debts. This will improve our cashflow and current ratio.

(b) Who is the counterparty of this other receivable?

Answer:

Pencala Jaya Sdn. Bhd.

(c) What measures are the Company taking to mitigate such issue from happening again?

Answer:

The Company will re-prioritize on the risks assessment policy and analyze potential business risks prior to entering any new business dealings.

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Q5. On August 22, the Company announced that its wholly owned subsidiary FITTERS Property Development Sdn Bhd has traded in the shares and warrants of Metronic Global Berhad. FITTERS is optimistic that loss-making Metronic would be able to turn around once the transformation program has been implemented, coupled with the success in the solar power procurement business. However, the Company decided to proceed with the disposals of majority of shares and warrants of Metronic to recoup part of the loss in investment amid market uncertainties.

(a) The Company sold shares and warrants of Metronic within days of acquiring them. What is the rationale for selling the shares at a loss if the Company is optimistic of Metronic’s transformation program?

Answer:

The Company decided to proceed with the disposals to recoup part of the loss in investment amid market uncertainties. The Company is optimistic that Metronic Group would be able to turnaround once the transformation program has been implemented coupled with the success in the solar power procurement business.

(b) Is there any connection between FITTERS and Metronic?

Answer:

Dato’ Sri Dr. Pang Chow Huat is a common substantial shareholder in both FITTERS and Metronic.

Save as disclosed above, none of the directors, major shareholders of FITTERS and/or persons connected with them have any interest, whether direct or indirect in Metronic.

(c) Since August 22, the Company has continued to trade the shares of Metronic in the open market. What is the objective of trading Metronic shares?

Answer:

The acquisition of growth potential quoted securities is part of FITTERS’s strategy to improve its profits.

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(d) How much was the total realised profit/loss from these trades up to date?

Answer:

Realised profit from trades up to 8 September 2022 is RM106,000.

Q6. Practice 13.6 of Malaysian Code on Corporate Governance (MCCG) stipulates that Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

FITTERS’s response: The minutes of the 35th AGM were not circulated to the shareholders. However, the said minutes were made available to the shareholders on the Company’s website at www.fittersgroup.com

MSWG’s comment: As per FITTERS’s website, no Minutes or even summary of key matters discussed at the previous 35th AGM held on 10 September 2021 was published. Please explain.

Answer:

The minutes were accidentally removed when we published the Notice of the 36th AGM. The minutes had been republished on our website.

Q7. The Group’s Executive Director (ED), Mr. Hoo Swee Guan is also an ED of two other listed companies, namely BCM Alliance Bhd (BCM) and Computer Forms (Malaysia) Bhd (CFM).

Please explain how Mr. Hoo manages his time commitment to the Company vis-à-vis his position as an ED of BCM and CFM given that all three are executive positions that require full time commitment.

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Answer:

Under the Companies Act 2016 (“CA 2016”), every director of a company is under a fiduciary duty to, at all times, exercise his/her powers for a proper purpose and in good faith in the best interest of the company. A director must also exercise reasonable care, skill and diligence with the knowledge, skill and experience which may be reasonably be expected of a director having the same responsibilities, together with any additional knowledge, skill and experience that the director has. The CA 2016 provides that directors of companies are primarily responsible to ensure:

- the financial statements of the company are prepared;*
- that the accounts of the company are sufficiently kept and that the transactions and financial position of the company can be adequately explained and disclosed for auditing;*
- that the financial statements are circulated to the shareholders of the company;*
- for a public company, that its annual general meeting is held; and*
- the making of such other disclosures as prescribed in the CA 2016, such as when there is a change in the company’s directors, company secretary or shareholding.*

The CA 2016 further describes the manner in which a director is expected to make business judgements. Under Section 214 of CA 2016, a director who makes a business judgement is deemed to meet the statutory duties in CA 2016 and any other equivalent duties under the common law and in equity, if the director:

- makes a business judgement for a proper purpose and in good faith;*
- does not have a material personal interest in the subject matter of the business judgment;*
- is informed about the subject matter of the business judgment to the extent the director reasonably believes to be appropriate under the circumstances; and*
- reasonably believes that the business judgement is in the best interest of the company.*

An Executive Director is in charge of overseeing a business’ strategic vision and leading business decisions to drive company growth. His or her duties include collaborating with a company’s leadership team, implementing strategic plans for the company’s development and managing relationships with stakeholders. Often Executive Directors have the following responsibilities:-

- Collaborate with the Board of Directors to identify, create and implement strategic plans to actualise business objectives.*

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- *Identify, recruit, train and develop a talented team of employees who can lead critical departments and manage strategic business functions.*
- *Monitor company operations and ensure employees and business practices comply with regulatory and legal requirements.*
- *Develop the organisational culture and promote transparency and collaboration throughout the organisation.*
- *Develop partnerships with company stakeholders, shareholders, industry regulators and other relevant parties.*
- *Identify potential risks and opportunities within the organisation and its environment to protect business interests.*
- *Identify potential sources of investment and organise fundraising efforts.*
- *Represent the company at social and corporate events in ways that strengthen the brand and communicate the company’s message.*

Having delegation and empowerment from the shareholders, Mr. Hoo Swee Guan (Executive Director) and Dato’ Sri Gan Chow Tee (Executive Director) and the rest of the Board members carry out their duties with the assistance of all the employees of FITTERS Group.

Mr. Hoo Swee Guan is the Executive Director of FITTERS, BCM and CFM. However, the business operations of these companies are managed by experienced heads of departments or general managers and management teams that are supported by their respective subordinates. Notwithstanding his involvement in BCM and CFM, his qualifications and experiences are important in the alignment of the Group’s business strategies.

Mr. Hoo Swee Guan is responsible for overseeing the Group’s financial function, and business’s strategic vision and leading business decisions to drive the Group’s growth. Together with the other Executive Director and the rest of the Board members, his duties include collaborating with the Group’s management team, implementing strategic plans for the Group’s development, and managing relationships with stakeholders. With this in mind, FITTERS is of the view that the time and dedication given by Mr. Hoo to FITTERS is appropriate, in so far as his role is concerned.

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There were several questions/comments posted by the Shareholders which were duly responded to by Mr. Hoo Swee Guan, the Executive Director of the Company. The questions and answers provided, where relevant, are as summarised below:-

Q1. What are the Company’s strategies to compete with the competitors in the market, i.e., Unitrade Industries Berhad?

The fire division of the Company is focusing more on engineering services by providing integrated one-stop solutions to the customers whereas Unitrade Industries Berhad’s focus is on the spare part of the fire extinguisher. The Company has a wide profitable clientele.

Q2. What is the impact of the strong US dollar exchange rate to the business of the Company?

The Management of the Company was of the view that the increase of the overnight policy rate will affect all the players in the market. The Management has been settling the borrowings of the Company progressively and will ensure that the Company has sufficient funds to address the high-interest rate. As at the date of the Meeting, the fire division of the Company has never entered into any businesses that resulted in loss to the Company.

Q3. Would the Company give door gift, such as e-voucher or e-wallet for those shareholders that had participated in this AGM, as token of appreciation?.

The Board took note of the suggestion and will consider giving door gifts at the next AGM.