

**SOLUTION GROUP BERHAD**  
(formerly known as Solution Engineering Holdings Berhad)  
Registration No. 200401016072 (654575-P)  
(Incorporated in Malaysia)

**MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON PT 13796,  
JALAN TEKNO USAHAWAN 2, TECHNOLOGY PARK MALAYSIA, 57000 KUALA  
LUMPUR ON SATURDAY, 21 DECEMBER 2019 AT 10.00 A.M.**

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- Present** : Datuk Dr. Syed Muhamad bin Syed Abdul Kadir  
(Chairman and Independent Non-Executive Director)  
Mr. Lim Yong Hew (Group Managing Director)  
Dato' Dr Mohd Nazlee bin Kamal (Deputy Group Managing Director)  
Mdm. Lim Chiou Kim (Executive Director)  
En. Zainuddin bin Muhamad (Independent Non-Executive Director)
- Absent with apologies** : Mr. Lim Hai Guan (Executive Director)  
En. Mohd Shahrin Bin Saparin @ Abd Rahman (Executive Director)  
Mr. Low Wei Ngee (Independent Non-Executive Director)
- In Attendance** : Ms Lim Yen Teng (Company Secretary)

The list of shareholders and proxies who attended the Meeting are set out in the Attendance Lists attached and shall form an integral part of these Minutes.

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**1. CHAIRMAN**

- 1.1. Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (“Datuk Dr. Syed”), being the Chairman of the Board of Directors (“Board”), presided as Chairman of the Meeting and welcomed all members and guests to the Meeting.

**2. QUORUM**

- 2.1. Upon confirmation by the Secretary of the presence of the requisite quorum pursuant to Article 17.1 of the Company’s Constitution, the Chairman called the meeting to order.

**3. NOTICE OF MEETING**

- 3.1. The Notice of Meeting dated 6 December 2019 had been emailed to all members of the Company together with the Circular within the prescribed period and was taken as read.

**4. VOTING BY POLL**

- 4.1. The Chairman informed the members that pursuant to the Listing Requirements of Bursa Malaysia, all resolutions set out in the notice of meeting will be decided by poll at the end of the Meeting.

- 4.2. The Chairman also informed that Tricor Investor & Issuing House Services Sdn Bhd had been appointed as Poll Administrator to conduct the polling process and Asia Securities Sdn Berhad as Independent Scrutineers to verify the poll results.

**5. ORDINARY RESOLUTION 1 - PROPOSED LAND ACQUISITION**

- 5.1. Ordinary Resolution 1 was to approve the proposed acquisition of a piece of freehold land measuring approximately 6.82 acres which forms part of the land held under Geran 582919, Lot 165091, Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim upon which is erected with a partially completed bio-chemical processing plant for a cash consideration of RM18.00 million.
- 5.2. Ordinary Resolution 1 was proposed by Mr Cheng Chen Hoong and seconded by Mr Lee Wei Xiong.

**6. ORDINARY RESOLUTION 2 - PROPOSED MACHINERY ACQUISITION**

- 6.1. Ordinary Resolution 2 was to approve the proposed acquisition of machinery and equipment for a cash consideration of RM7.0 million.
- 6.2. Ordinary Resolution 2 was proposed by Mr Chai Ko Fong and seconded by Mr Lee Wei Xiong.

**7. ORDINARY RESOLUTION 3 - PROPOSED DIVERSIFICATION**

- 7.1. Ordinary Resolution 3 was to approve the proposed diversification of the existing businesses of Solution Group to include the production of lactic acid.
- 7.2. Ordinary Resolution 3 was proposed by Mr Chai Ko Fong and seconded by Mr Cheng Chen Hoong.

**8. QUESTIONS AND ANSWERS**

- 8.1. The Chairman invited questions and comments from the floor in connection with the resolutions tabled. A summary of the questions and answers are enclosed as Appendix I.
- 8.2. Before the Meeting proceeded for voting by poll, the Chairman commented that the Proposals presented an opportunity for the Group for new business as well as diversification for the Group. Notwithstanding this, the Company also faced challenges in this new business opportunity especially obtaining banking facilities to support the new venture of production of lactic acid. On this note, the members would be well informed after hearing from the Board on the Proposals earlier.

**9. CONDUCT OF POLL**

- 9.1. The Secretary briefed the shareholders on the polling procedures and at 10.45 a.m., the shareholders proceeded to take the poll. The Share Registrars, Tricor Investor & Issuing House Services Sdn Bhd then collected the polling slips and conducted the vote counts.

**10. ANNOUNCEMENT OF POLL RESULTS**

10.1 At 11.05 a.m., the Meeting resumed for the announcement of the poll results.

Based on the following poll results verified by the Scrutineer, the Chairman declared all resolutions tabled were not carried.

Resolutions	For		Against	
	No. of Shares	% of votes	No. of Shares	% of votes
Ordinary Resolution 1	881,235	2.013	42,904,573	97.987
Ordinary Resolution 2	881,235	2.013	42,904,573	97.987
Ordinary Resolution 3	881,235	2.013	42,904,573	97.987

**11. CONCLUSION**

There being no other business to be transacted, the Chairman declared the Extraordinary General Meeting closed at 11.10 a.m.

CONFIRMED AS CORRECT RECORD

*-signed-*

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DATUK DR. SYED MUHAMAD BIN  
SYED ABDUL KADIR  
CHAIRMAN

Date : 21 December 2019

**QUESTIONS AND ANSWERS****APPENDIX I**

	<b>QUESTIONS</b>	<b>REPLY / ANSWER</b>
<b>1.</b>	<b>Mr Bryon Siew Khai Herk (Proxy)</b>	
(i)	What is the status of acquisition?	Mdm. Lim Chiou Kim responded that the Sale and Purchase Agreement to acquire the land and building was signed on 21 August 2019 and expired on 20 November 2019 (after 90 days period). The Vendor had granted the first extension of 30 days until 19 December 2019 and the second extension until 20 January 2020, subject to an interest rate of 8% per annum on the balance consideration calculated on daily basis.
<b>2.</b>	<b>Mr Ho Chung Teng (Proxy)</b>	
(i)	What is the status of getting approval for the revised building plan by Majlis Perbandaran Iskandar Puteri?	Mr Barry Lim Yong Hew responded that the building was acquired through an auction. The process of obtaining the Certificate of Compliance and Completion (CCC) was put on hold as the original owner i.e. an US-based Verdezyne Inc had got into financial difficulty which in turn, resulted it unable to meet its financial obligation and went into receivership. The Consultant was able to re-submit the revised building plan to Majlis Bandaraya Iskandar Puteri upon completion of the Proposed Land Acquisition.
(ii)	Why did Majlis Perbandaran Iskandar Puteri reject the revised building plan back in 2018?	Mr Barry Lim Yong Hew responded that the approval for the revised building plan was rejected by Majlis Perbandaran Iskandar Puteri as the collapsed Verdezyne Inc failed to provide direction to the Consultant in response to the condition imposed by Majlis Perbandaran Iskandar Puteri.
<b>3.</b>	<b>Ms Choo Yi Ling (Proxy)</b>	
(i)	What is the estimated time to complete the Plant to be able to start operation?	Mr Barry Lim Yong Hew responded that according to their schedule, Phase 1 is to obtain the CCC and thereafter, they will continue to develop the plant as lactid acid manufacturing plant. It is estimated that it could take 1 year to complete.
(ii)	Would the Group expect the revenue contribution in the next 2 years?	Mr Barry Lim Yong Hew responded that after considering the nature of this project and all the things required to be done for implementation, 2 years is a reasonable time period.

<b>4.</b>	<b>Mr Ho Chung Teng (Proxy)</b>	
(i)	Based on the production capacity of 20,000 metric tonnes per annum, when can the Group achieve breakeven relative to this investment?	Mr Barry Lim Yong Hew responded that 7,000 metric tonnes was the breakeven level, provided that it is selling at a target price of RM6 to RM10 per kilo. He also explained that due to large capacity of the facility, the Group needs to secure offtake deals. The Management had engaged discussion with some potential offtakers for the lactic acid, which is still under negotiation.
<b>5.</b>	<b>En Wan Mohd Farid (Proxy)</b>	
(i)	How much interest the Company is paying now?	Mdm. Lim Chiou Kim responded that the late payment interest is 8% per annum which is equivalent to RM5,000.00 per day.
<b>6.</b>	<b>Ms Choo Yi Ling (Proxy)</b>	
(i)	Upon the completion of the acquisitions and as a result of the additional investment of RM8.0 million, the overall gearing ratios of the Group might increase to 9 times and commented that it might be too much of a stretch to the Group financially.	Mdm. Lim Chiou Kim concurred with Ms Choo's view and added that this proposal is indeed a very heavy capital investment.
<b>7.</b>	<b>En Abdul Rahman Abdullah (Proxy)</b>	
(i)	Has the Group receive any financing for the acquisitions?	Mdm. Lim Chiou Kim responded that the Management had been trying to secure financing right after signing the SPA. They had submitted application to several financial institutions such as Maybank, CIMB, UOB, Alliance and Affin. However, to-date, the Company has yet to receive any affirmative offer from any banks.  Mr Barry Lim Yong Hew also added that there is no guarantee that project can be proceed further until the Company obtains the financing. However, the Management is working very hard to secure financing.
<b>8.</b>	<b>Mr Cheng Chen Hoong (Proxy)</b>	
(i)	Would the Company able to seek further extension of time upon expiration of the 2 <sup>nd</sup> extension of time?	Mdm. Lim Chiou Kim responded that it is subject to the approval by the Vendor.
<b>9.</b>	<b>Mr Tan Kien Yew (Proxy)</b>	
(i)	How long will it take for the bank to disburse the money for financing?	Mdm. Lim Chiou Kim responded that the bank will take about 3 to 4 months to process and disburse funds.

<b>10.</b>	<b>Mr Yong Yoon Lit (Proxy)</b>	
(i)	What is the consequence if the bank only releases the funds after the expiration of the 2 <sup>nd</sup> extension of time?	Mdm. Lim Chiou Kim responded that the Vendor would terminate the Sale and Purchase Agreement and forfeit the 10% deposit.
<b>11.</b>	<b>Mr Yau Wen Chin (Shareholder)</b>	
(i)	What is the business overview / profit outlook / ROI for this investment?	Mr Barry Lim Yong Hew briefed the shareholders a wide range of lactic acid's applications by the end use segments such as food & beverages, chemical, pharmaceuticals, cosmetic and he also mentioned that lactic acid is the raw material for polylactic acid which is used for bio-plastic production. He added that coupled with the fact that, as of late, the government had been promoting the usage of bio-degradable plastic and demand is anticipated to increase. The Group's entry into the new business segment is timely and will meet the increasing demand of polylactic acid.
(ii)	What is the profit margin / ROI / IRR?	Mr Barry Lim Yong Hew responded that based on their financial forecast, ROI is about 5 years and IRR is about 20%.
<b>12.</b>	<b>Ms Choo Yi Ling (Proxy)</b>	
(i)	Who are the competitors in this lactic acid market?	Mr Barry Lim Yong Hew responded that there are several established manufacturers in other countries, mostly in F&B, cosmetic and pharmaceutical segments. Examples of the international manufacturer are Galactic, Corbion, Henan Jindan and Musashino. Presently, there is no existing manufacturer in Malaysia, mainly due to lack of demand from the local F&B industry.