

GEORGE KENT (MALAYSIA) BERHAD

(Company No. 1945-X)

Summary of Minutes of the Sixty-Eighth Annual General Meeting of the Company duly convened and held at the Registered Office of the Company at 1115, Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Tuesday, 9 July 2019 at 11:00 a.m.

1. ADDRESSED BY CHAIRMAN

The Chairman, on behalf of the Board of Directors, welcomed the shareholders and proxies present to the Sixty-Eighth Annual General Meeting (“68th AGM”) of George Kent (Malaysia) Berhad (“George Kent” or “the Company”).

The Chairman informed that the notice convening the 68th AGM of the Company had been circulated to all shareholders and advertised in The Star on 31 May 2019. With the permission from the shareholders and proxies present, the notice convening the 68th AGM was taken as read. As the requisite quorum being present, the Chairman called the meeting to order.

Before the Chairman proceeded with the formal business for the meeting, he reported that George Kent Group (“the Group”) achieved commendable performance in financial year ended (“FYE”) 31 January 2019. Profit before tax was RM127.8 million, profit after tax was RM86.3 million and dividends paid out amounted to RM38.07 million. These credible results were achieved in spite of recognising a small loss for LRT3 project. The Chairman informed that the structure for the LRT 3 project was changed from PDP into a Turnkey Contract after renegotiation subsequent to the last General Election. The LRT 3 contract was signed on 25 January 2019. Physical work was expected to begin towards the end of the year. This demonstrated the robustness of the Group’s businesses. The Group’s commendable results for the first quarter of the financial year ending 31 January 2020 which was announced on 25 June 2019 further confirmed this.

The Chairman reported that the Group’s balance sheet remained strong. The Group’s order book of over RM5 billion would provide earnings visibility for many years to come. Going forward, the Group aimed to raise the Metering business’ earnings contribution to between 50% and 75%. This was in line with the Group’s long-stated strategy to broaden the Group’s income base. Substantial resources would be allocated to further expand this business domestically and regionally.

Currently, the Group’s automated water meter reading solution was being tested in several states. The Group aimed to commercialise this solution later this year. The Group were also taking part in tenders under the non-revenue water initiative of Malaysia’s water meter replacement programme. This should boost local sales of the Group’s water meters, which were already in strong demand.

Taking a step towards developing George Kent into a world-class meter manufacturing company, the Group had entered into a License Agreement with Honeywell International and Elster Water Metering last month, to access to the technology and know-how to manufacture the meters’ precision measuring components. These components were currently imported for assembly with the brass housings manufactured by the Group. With the ability to manufacture both the measuring components and brass housings, the Group can control our supply to meet increasing demand and reduce production costs. This agreement also allowed the Group to exclusively sell its meters to 15 new countries, apart from the 42 countries

where the Group currently have a presence in.

As for the Engineering businesses, the Group's expertise and experience as a Rail Systems Integrator place it in a favourable position to compete for domestic and Regional rail projects. Similarly, the Group had successfully completed over 30 water infrastructure projects in the last 26 years. This track record gives the Group an advantage in bidding for opportunities in Malaysia's non-revenue-water projects.

The Chairman commented that the drastic drop in the Company's share price over the last 12 months was an overreaction to uncertainties about the construction industry. All companies in this sector were affected. The Company's share price had now stabilised, trading at a PE of 8.57x (TTM), based on last Friday's closing price of RM1.17. PE ex-cash is 5.13x.

The Company continued to reward shareholders with excellent dividends. The Company paid dividends amounting to 7 sen per share in FYE 31 January 2019, producing a dividend yield of 6% at the current share price. This shows that the Company's shares continue to be a good investment.

The Group was committed to executing its strong order book and pursuing on an ongoing basis new business opportunities in water infrastructure and metering, as well as hospital and rail construction.

2. POLL VOTING

The Chairman informed the shareholders and proxies present that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), all the resolutions set out in the Notice of 68th AGM were required to be passed by way of poll. The Company had appointed Propoll Solutions Sdn Bhd as Poll Administrator to conduct voting by electronic polling and Symphony Merchant Sdn Bhd as Scrutineers to verify the poll results.

The Chairman invited the representative of the Poll Administrator to explain to the shareholders and proxies present on the electronic polling process.

Upon conclusion of this briefing, the Chairman next proceeded to deal with the business on hand.

3. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

The audited financial statements of the Company for the financial year ended 31 January 2019 and the Reports of the Directors and Auditors were tabled for discussion. The Chairman informed that the Company has received some questions from Minority Shareholders Watch Group ("MSWG") via their letter dated 26 June 2019. The Chairman invited the Senior Manager – Communications, Mr James Foo to

read out the questions and our replies for the benefit of Shareholders. The questions and our replies were set out below:-

Strategy/Financial Matters

Question

1. “The Group’s Engineering Division revenue registered at RM298.6 million, from RM464.6 million in FY2018, contributing 69.2% to the Group’s top line.” (page 12 of the Annual Report 2019)
 - a) How will the Board address the decline in revenue, and what will be the targeted percentage of revenue contribution to the Group’s top-line in FY2020?
 - b) What is the Division’s current order book, and what is the Division’s targeted order book for the next 3 years? Please briefly discuss the probability of being awarded new contracts.

Reply

- a) A large portion of the Group’s order book is from our LRT3 contract. This contract is undertaken by our joint venture (“JV”) company, in which George Kent owns a 50% stake. As this JV is not a subsidiary of the Group, revenue from this contract will not be reflected in the Group’s Consolidated Revenue. Recognition of this contract will instead be in Share of JV Profits.

Although there will be no top-line contribution from the LRT3 contract, the share of profit after tax is expected to contribute significantly to the bottom-line over the next few years from FY2021. For FY2020, the targeted revenue contribution will be close to that for FY2019.

- b) The Engineering Division’s order book currently stands at about RM5.08 billion. The order book will provide earnings visibility to the Group for the next 5 years. The Division is currently working on a number of potential local and regional opportunities in rail and water infrastructure. These are worth about RM2.5 billion.

Question

2. “The Group’s focus continues to be on its long-stated Strategic Plan to broaden its income base. This will be achieved by allocating substantial resources to further expand the Metering business in the country and the region.”

“The Group will also continue to strengthen its collaboration with its suppliers and technological partners, and acquire new technologies to further sharpen its competitive edge.” (page 14 of the Annual Report 2019).

- a) How much funds will be needed to expand the Metering business, and what is

the timeframe that has been set for this expansion exercise?

- b) In what ways will the collaboration with suppliers and technological partners be strengthened, and what sort of new technologies have been identified to further sharpen the Group's competitive edge?

Reply

- a) The Group aims to be a global water meter manufacturer and has a comprehensive expansion plan for its Metering business. This plan includes a number of initiatives, encompassing the manufacturing of precision plastic measuring components, increasing its water meter product range, and commercialising its smart metering technology.

The Group has allocated capital expenditure of about RM40 million for the proposed expansion exercise. This will take place over the next 2 years.

- b) As stated in the Chairman's opening address, the agreement with Honeywell and Elster is one small step towards developing George Kent into a world-class meter manufacturing company.

The collaboration with our suppliers and technological partners will advance the Group from a water meter component importer to a manufacturer, with the technical know-how in the precision manufacturing of these components. This will enable the Group to better control its meter supply and reduce its production cost.

These collaborative efforts are also expected to accelerate the development of new water meters for different markets, and the commercialisation of the Group's smart metering technology.

Question

3. What is the breakdown for Other Expenses amounting to RM58,661,000 in FY2019 (FY2018: RM37,024,000)? (page 73 of Annual Report 2019)

Reply

Operating expenses mainly comprises salaries and related costs. The higher operating expenses incurred for FY2019 is mainly due to the recruitment of a high-level team to tender for rail projects, namely, the Kuala Lumpur-Singapore High Speed Rail ("HSR"), MRT3 and Singapore MRT. The expenses are for items relating to the tender exercises, like professional fees for experts in rail engineering, legal, finance, taxation and accounting. The higher cost is also attributed to annual salary adjustments and bonuses paid.

Corporate Governance Matters

Question

1. Directors' Remuneration

The Board is tabling Resolution 3 to seek shareholders' approval for payment of directors' fees and benefits for FY2019. However, there is no resolution pertaining to the approval for fees of directors pursuant to Section 230 (1) of the Companies Act 2016. Does that mean that during FY2020, no fees and benefits-in-kind or allowances would be paid to the directors until a resolution is tabled at the AGM in 2020, and shareholders' approval is obtained?

Reply

We have referred this matter to our legal advisors. There are a number of PLCs in the same situation. If need be, we will call for an EGM.

Point raised

2. Step-Up 9.3

The Company in its Corporate Governance Report stated that it has adopted Step-Up 9.3 of the Malaysian Code on Corporate Governance (page 35 of the Corporate Governance Report) whereby the Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the Company's risk management framework and policies.

The Company has explained that the Board has established a Risk Management Committee comprising an Independent Non-Executive Director, a Non-Executive Director, and a Non-Independent Executive Director.

MSWG's comment:

The Risk Management Committee does not have a majority of independent directors (page 53 of the Annual Report 2019)

Reply

The template for Step-Up 9.3 only allows one to reply "Adopted" or "Not Adopted". The Company answered "Adopted" to explain that the Board has established a Risk Management Committee that does not comprise a majority of independent directors. A "Not Adopted" reply would not have reflected the Company's establishment of its Risk Management Committee.

Point raised

Practice 12.3

The Company in its Corporate Governance Report has stated that it has applied Practice 12.3 of MCCG. Practice 12.3 refers to facilitating or providing a platform for shareholders to vote remotely without being physically present at the Company's AGM.

MSWG's comment:

Based on the Company's explanation on its application of Practice 12.3 (page 42 of the Corporate Governance Report), the Company has not applied the Practice.

Reply

The Company had on 28 June 2019 amended the reply to Practice 12.3 in its Corporate Governance Report as follows:

“At present, the Company has yet to establish the necessary infrastructure that will enable voting *in absentia* and remote shareholder participation during general meetings. The Board will continue to monitor new technologies that facilitate the remote conduct of meetings, and may consider implementing the same should there be a strong case for change.

The Notice of AGM and Proxy Form have been despatched to all shareholders with a notice period of more than 28 days. This provides sufficient time for shareholders to make the necessary arrangements to attend the Meeting. Shareholders who are unable to attend are allowed to appoint proxies to vote on their behalf.”

The Chairman then invited shareholders and proxies present to raise questions on the audited financial statements and reports as tabled.

Questions raised by shareholders and the replies by the Chairman were as follows:-

- (i) A shareholder referred to the five year group financial highlights and commented that the overall performance of the Company was good. However, the performance for the FYE 31 January 2019 had come down. He asked for the outlook of the Company for the financial year ending 31 January 2020.

The Chairman replied that challenges were abound in the construction industry. The Group was doing fine and cash position was good and stable. There was currently no profit contributed from LRT 3 project and a small loss from LRT 3 project had been recorded in the first quarter financial results for the financial year ending 31 January 2020. In addition, LRT 2 project would also be coming to an end. In view thereof, the Group was now looking into expanding its water meter business, aiming to increase the water meter business to 50% to 75% of the Group total businesses. The water meter business was preferred as it would not be dependant on government policy. The Chairman reported that currently the Group could not even produce and supply the water meters sufficiently to meet the demand. In addition, the Company would also tendering for water meter jobs all over the region, including Thailand and Singapore.

In response to the shareholder further questions, the Chairman replied that water meter business had a better margin and in this business, George Kent was positioned at number one.

- (ii) A shareholder enquired how the Group to overcome the issue on demand outstripping supply for its water meters business.

The Chairman replied that the Group had entered into a License Agreement for a license of the technology and know-how to manufacture high-precision water meter measuring components. With the technology to manufacture the water meter components internally, the Group would be able to control the supply of water meters to meet the market demand.

- (iii) A shareholder enquired (i) whether the profit margin would be affected in view that the scope of the LRT 3 project had now been reduced, (ii) whether the revenue from MRT 2 project would be the same as projected in view that there was no change in the track and rail system, (iii) whether the Company is bidding for the track and rail system for the rail projects which had been announced, and (iv) whether the Company is competitive in bidding for the water infrastructure projects which had been announced.

The Chairman replied that the Group is selective in bidding for both railway and water infrastructure projects, looking at the size and scope of works, to ensure resources is not wasted in the biddings. The Chairman commented that some of the winning bids were lower than our costs, the Group will not want to enter into any contract at a loss.

The Chairman informed that there was no change for the MRT 2 project. For LRT 3 project, previously it was under PDP structure with a 6% fee. Currently it was restructured as Turnkey Contract, with reduced work scope but more risk to manage. The profit margin for LRT 3 project is acceptable, but not as good as for water meters.

- (iv) A shareholder commented that the overall performance of the Group went down as compared to the FYE 31 January 2018. It was mentioned that the Group was now focusing on its water meters business and yet he noted that the revenue and profits from the water meters division also went down in the FYE 31 January 2019. He enquired why the Group was unable to supply sufficient water meters despite the production had not reached its full capacity.

The Chairman replied that the revenue from water meters division dropped was due to timing issue as some orders had been deferred, as well as shortage in components which could not come in time.

In response to the shareholder's concern pertaining to the high employee turnover at 41%, the Chairman replied that the high turnover was mainly due to the conclusion of term of employment for contractual employees upon completion of the LRT 2 project and transferring of some staff to LRT 3 project under a JV company.

The shareholder further enquired why the electricity and water consumption had gone up despite the reduction in production. The Executive Director, Mr Bernie Ooi replied that although the total number of employees had reduced as at 31 January 2019, the Group had at the beginning of the year expanded and set up a team for tendering of MRT 3 and HSR projects. He further explained that although there was a components shortage and reduction in production but the electricity consumption still there. Initiatives had been taken in managing resources more efficiently such as changing old lighting systems to energy-efficient LEDs.

The shareholder commented that the Company had spent more than RM25 million to buy back its own shares but yet the Company's share price was remained low at around RM1 something. He enquired whether the Company intends to continue buying its shares and the intention to increase dividends payout or distributing treasury shares as share dividend to shareholders.

The Chairman replied that the Company exercised the mandate to buy back its shares was due to the good deal price to purchase and it was a very good investment for the Group. Since the treasury shares were not entitled to dividends and hence the Company was able to distribute a higher dividend to shareholders and there was currently no intention to distribute the treasury shares to shareholders as dividend.

- (v) A shareholder enquired on the percentage of meters sold locally and exporting. He also asked whether water meters production would be ramped up following the signing of agreement with Honeywell.

The Chairman replied that the number for local and export sales could not be disclosed due to competition issue. The Honeywell agreement would help to control water meter components supply and as this is a new technology to the Group, it would take a couple of years to increase its water meters production volume to ensure quality control.

In response to the shareholder's enquiry pertaining to the RM70 million due for LRT 2 project, the Chairman replied that it would depend on the Government on when the payment could be made to the Group.

- (vi) A shareholder, requested that the Company's reply to MSWG's questions to be distributed to shareholders as part of handouts at future AGMs. He then questioned on the amount of inventories recognised as an expense in cost of sales of the Group of RM94.2 million which was lower than RM94.6 million at the Company level, which is not seem sensible.

The Chairman took note on the shareholder's request. The Chairman then advised the shareholder to discuss with the External Auditors pertaining to his enquiries raised. It was subsequently clarified that the cost of inventories sold at Group level was lower than at the Company level was mainly attributed to the exchange difference on intragroup transactions.

- (v) A shareholder enquired (i) whether 5 to 7 sen dividends could be paid for the financial year ending 31 January 2020 in view that the Company's profit and the cash and bank balances had gone down in FYE 31 January 2019, (ii) whether contract value for the LRT 3 project would be decimated or margins be affected as it was mentioned that LRT 3 project is making losses, (iii) the target value to bid for the HSR project, (iv) whether the Company is bidding for ECRL project, and (v) what is the current capacity utilization for the plant, machinery and assets and any plan to sell them. The shareholder then requested the Company to provide more signage to direct shareholders to the meeting entrance, and also more chairs and reserved parking for shareholders. He also requested for longer breakfast hours for future AGMs.

The Chairman took note on the request of the shareholder. The Chairman then replied that he is unable to give a forecast on profit and dividend for FYE 31 January 2020. He informed that the HSR project still up in the air and hence the contract value was not ascertained and for ECRL project, the Company had submitted its name for pre-qualification. The Chairman clarified that LRT 3 project is not making loss, instead he mentioned that the Company recorded a small loss from LRT 3 project in the first quarter of financial year ending 31 January 2020 due to the suspended work earlier and no revenue to cover the running expenses. The Chairman informed that George Kent is a project management company ("PMC") and hence the Company's asset is people and the Company does not have huge plant, so it's not an issue with the Company. The Chairman added that the Company will do what is necessary in terms of more signage, seating arrangement and adequate parking etc for shareholders at future AGMs.

There being no other questions raised from the floor, it was recorded that the audited financial statements of the Company for the financial year ended 31 January 2019 and the Report of Directors and Auditors had been duly tabled and received by the Shareholders.

4. OTHER QUESTIONS RAISED

Other questions raised by shareholders and the replies by the Chairman were as follows:-

Proposed renewal of share buy-back authority to the company to purchase its own shares of up to ten per cent (10%) of its total number of issued shares

- (i) A shareholder enquired when the Company will exercise this mandate, based on what condition and how to manage this. He further enquired on the Company's plan to sell the treasury shares since it was mentioned that the Company was not intend to distribute the treasury shares to shareholders.

The Chairman replied that the Company may or may not exercise the mandate. There was currently no plan to distribute the treasury shares nor selling the treasury shares.

- (ii) A shareholder enquired whether the Company's cash would be reserved for

operation and hence there was currently no plan to buy back its shares.

The Chairman replied that this was one of the consideration. However, the Company would still require the share buy-back mandate and the Company will buy back its shares if there is an opportunity and there is a good price.

5. **POLL RESULTS**

All the resolutions tabled at the 68th AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions as summarised below:-

	FOR		AGAINST	
	No. of shares	%	No. of shares	%
<u>Ordinary Resolution 1</u> Re-election of Puan Sri Datin Tan Swee Bee as a Director	267,713,833	99.126696	2,358,554	0.873304
<u>Ordinary Resolution 2</u> Re-election of Mr Ong Seng Pheow as a Director	266,208,202	98.572142	3,856,135	1.427858
<u>Ordinary Resolution 3</u> To approve payment of Directors' fees and benefits to NEDs for the financial year ended 31 January 2019	269,135,527	99.892813	288,787	0.107187
<u>Ordinary Resolution 4</u> Re-appointment of Deloitte PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.	266,615,943	98.972068	2,769,096	1.027932
<u>Ordinary Resolution 5</u> Retention of Independent Non-Executive Director – Mr Ong Seng Pheow	266,029,179	98.740763	3,392,660	1.259237
<u>Ordinary Resolution 6</u> Retention of Independent Non-Executive Director – Dato' Paduka (Dr) Ir Hj Keizrul Bin Abdullah	232,225,365	99.952691	109,915	0.047309
<u>Ordinary Resolution 7</u> Proposed Renewal of Share Buy-Back Authority	232,141,039	99.978912	48,965	0.021088
<u>Ordinary Resolution 8</u> Authority to Directors to allot shares	267,570,516	99.328310	1,809,398	0.671690

GEORGE KENT (MALAYSIA) BERHAD (Company No. 1945-X)

Summary of Minutes of the Sixty-Eighth Annual General Meeting held on Tuesday, 9 July 2019 at 11:00 a.m. –
Cont'd

	FOR		AGAINST	
	No. of shares	%	No. of shares	%
<u>Special Resolution</u> Proposed Adoption of the New Constitution of the Company	269,394,784	99.982677	46,675	0.017323

6. TERMINATION

There being no other business to transact, the Chairman thanked the shareholders and proxies present for their attendance and declared the meeting closed at 12.25 p.m.