

GEORGE KENT (MALAYSIA) BERHAD

Registration No. 195101000005 (1945-X)

Summary of Minutes of the Sixty-Ninth Annual General Meeting of the Company duly convened and held at George Kent Technology Centre, 1115, Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Wednesday, 29 July 2020 at 10:00 a.m.

1. ADDRESSED BY CHAIRMAN

The Chairman, on behalf of the Board of Directors, welcomed the shareholders and proxies present to the Sixty-Ninth Annual General Meeting (“69th AGM”) of George Kent (Malaysia) Berhad (“George Kent” or “the Company”).

The Chairman informed that the notice convening the 69th AGM of the Company had been circulated to all shareholders and advertised in The Star on 30 June 2020. With the permission from the shareholders and proxies present, the notice convening the 69th 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 the results for the financial year ended (“FYE”) 31 January 2020 was commendable although a lower profits was reported. For the FYE 31 January 2020, profit before tax was RM56.7 million, profit after tax was RM41.6 million and dividends paid out amounting to RM13.44 million.

The Chairman reported that the lower results were due to the reduced pace of work on LRT3 project and the lower contribution from LRT2 project, which was at the closing phase. The Group’s Metering Business continued to be resilient and in spite of the retiming of some export orders, revenue for sales to local authorities in Peninsular Malaysia rose from the previous year.

The Chairman reported that the Group’s balance sheet remained strong and the Group’s strong order book would provide earnings visibility for the next few years bearing the foreseeable future fraught with uncertainties due to the pandemic, unresolved geopolitical tensions and oil price volatility.

The Chairman reported that the Group’s profits were affected by the Movement Control Order (MCO), where the factory was fully closed during the MCO and only re-operated with full capacity from 4 May 2020. The Company was now increasing the manufacturing capacity to clear the backlog orders received during MCO and to cater for new orders.

The Chairman reported that the construction work was also ceased completely during the MCO and the operations were restarted early June 2020, after the completion of mandatory foreign-worker COVID-19 screenings. Necessary measures would be implemented to accelerate progress.

The Chairman reported that the Group continued to carry out cost savings and cost rationalisation actions, which remained one of the key pillars going forward in view of the challenging business environment.

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The Chairman reported that several initiatives were undertaken towards developing George Kent into a world-class, one-stop purveyor of water meters, including working with partners to offer water meters that complement the Group's existing range, such as static meters and products in other classes. The enlarged range would give the Group a stronger footing to penetrate more markets globally. The long-term license agreement with Honeywell which was signed in June 2019, enhances the Group's control over component supply and production costs, and also gave the Group the right to sell water meters to 15 new territories in Asia. The Group's proprietary Smart Metering technology was undergoing real-world tests through proof-of-concepts and pilot projects with state water authorities.

The Chairman reported that the Company was recently awarded a RM40.6 million contract to supply over 600,000 water meters under the National Non-Revenue Water Initiative, to supply the meters to the six states of Sabah, Sarawak, Pahang, Kelantan, Kedah and Perlis over 24 months from June 2020.

The Chairman reported that as for the Engineering businesses, the Company's expertise and experience as a Rail Systems Integrator place George Kent in a favourable position to compete for domestic and Regional rail projects. The Company had also successfully completed over 30 water infrastructure projects in the last three decades. The track record gave the Company an advantage in bidding for new opportunities.

The Chairman reported that the Company continued to reward shareholders with good dividends in spite of the reduced profits and the uncertain environment. For the FYE 31 January 2020, dividends amounting to 2.5 sen per share were declared, with a dividend yield of 3.68% at the current share price.

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 69th 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.

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3. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

The audited financial statements of the Company for the financial year ended 31 January 2020 and the Reports of the Directors and Auditors were tabled for discussion. The Chairman informed that the Company had received some questions from shareholders. 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:-

From Minority Shareholders Watch Group:

Strategy & Financial Matters

- 1) Given the Covid-19 pandemic, to what extent has it impacted George Kent's prospects?***

Our water meter orders remained resilient. Although our production was affected, it is now back in full swing. We are taking further steps to address the backlog.

Our hospital construction activities had to stop, but work has since resumed in June.

- 2) The Group's top-line and bottom-line results are declining since FY2019. How does the Board plan to address the declining trend?***

We are working to replenish our order book and find new businesses.

- 3) In the year under review, the Company continued to participate in tenders under the non-revenue water meter initiative of Malaysia's water meter replacement programme (Page 9 of the Annual Report 2020). What is the total contract value that the Company is currently bidding for? What is the Company's tender success rate?***

The Company recently won a RM40.6 million contract to supply over 600,000 water meters under the non-revenue water meter initiative to six states in Malaysia over 24 months.

- 4) The Company continues to pursue its long-stated strategy to further develop its Metering business. The Company continues to channel substantial resources towards the expansion of its existing and new water meter markets across the world. The Company has dedicated personnel who actively pursue M&A and organic growth opportunities (Page 11 of the Annual Report 2020).***

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a. What are the new markets into which the Company has entered or plans to enter?

The license agreement we signed with Honeywell extends our territorial rights to 15 new markets in Asia, including South Korea, Taiwan and Thailand. We are taking steps to establish our presence in these markets.

b. What is the current status of pursuing M&A and organic growth opportunities?

We are looking at acquiring companies in Europe and Asia for technology, products and markets. This will augment our existing operations.

5) The Company continues to develop new opportunities in the Regional railway space. Its established network with international rail specialists will assist the Company in tapping into Regional projects requiring international collaborations through joint ventures or strategic alliances (Page 11 of the Annual Report 2020). Are there any joint-ventures or strategic alliances in the pipeline?

We are working on some potential opportunities. However, we are covered by non-disclosure agreements and are thus not at liberty to disclose further details.

6) Are the Light Rail Transit Line 3, Hospital Tanjung Karang, and Hospital Endokrin Putrajaya projects (Page 14 of the Annual Report 2020) progressing as planned or have there been delays?

The MCO has interrupted the progress of these projects. All construction activity was halted until we completed the mandatory foreign-worker COVID-19 screenings early-June. We are accelerating progress as we adapt to the SOPs.

7) The Group's strong order book, which it will continue to deliver on, will provide earnings visibility in the next few years (Page 16 of the Annual Report 2020).

a. What is the current order book value, and how long will the Group's order book last?

RM4.5 billion; will last until FY2024.

b. What is the targeted order book replenishment in FY2021?

We do not have a specific target for this.

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- 8) *What are the reasons for the significant decline in the share of results of the joint venture from RM13,407,000 in FY2019 to RM274,000 in FY2020 (Page 77 of the Annual Report 2020)?***

The LRT3 project was re-modelled from a PDP to a fixed-price turnkey project by the Government. This necessitated the re-design and re-scoping of the overall project, and subsequently the renegotiation of all contracts, and confirmation and agreement of the new contract values with all the work package contractors.

Arising from the above, the project budget and profit have been revised. Consequently, the timing of recognition of revenue and profit was also affected, resulting in the lower profit recognised in FY2020.

Sustainability Matters

What are the critical areas that George Kent has identified for immediate improvement?

We are aiming to improve our training targets. Our number of training hours per employee, while exceeding the target of 20 hours per employee, can be improved further.

We are also considering the incorporation of environmental and social aspects into our Company's vision, mission and values.

From shareholder:

- 1) *What is the usual demand for water meters in Malaysia like per year? Is the demand inelastic? What is your current market share of water meters in Malaysia, Singapore and Hong Kong?***

The usual demand for water meters in Malaysia ranges from 800,000 to 1 million units per year. Demand is largely dependent on new installations and scheduled replacements. We are unable to provide details on our share of the Malaysia, Singapore and Hong Kong markets.

- 2) *In general, how often do water meters need to be replaced? Do you have an estimate of how much non-revenue water in the country is attributed to ageing meters vs leaking pipes/water theft?***

The rule of thumb is every seven years, depending on water quality and usage patterns. We do not currently have specific data on the causes of NRW in the country.

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- 3) *The total addressable market for smart water meters is very huge. The Management guided that they target to sell 140,000 units of smart meters in FY21. Has there been any revision of that target? What kind of profit margin do we expect to see from the sale of smart meters?*

The target remains, as there is keen interest in smart metering. We are unable to provide profit margin estimates.

- 4) *From your Annual Report, Gkent is the only water meter manufacturer in the country with SIRIM's Certification Mark for large mechanical water meters. What advantage does this certification confer?*

The SIRIM Certification Mark:

- provides independent assurance that our meters are manufactured under an effective system of testing, supervision and control; and*
- demonstrates compliance with national or international standards.*

- 5) *Can I humbly suggest to collaborate with the relevant authorities to develop "Metering as a service" for recurring revenue? Since Gkent manufactures the smart water meters, they could also develop an app to monitor real-time water usage. Gkent could engage with a service provider to deliver remote water reading services to analyse water consumption profile, SMS/email alert for leaks, and charge users on a monthly/annual basis.*

We have had discussions on this with some water authorities. Many factors must be considered to ensure the successful implementation of this business model.

From shareholder:

- 1) *What is the expected revised profit margin from the renegotiated LRT3? It was 6% under the previous PDP model.*

We are expecting a reasonable margin, which has the potential to be improved upon if we can reduce overheads further.

- 2) *Will our company be making losses on any ongoing projects as MCO and RMCO have affected our project cost calculation?*

We do not expect any of our projects to make a loss. The impact of the MCO and RMCO in terms of cost is minimal. We have re-commenced work as follows:

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- *Hospital Endokrin Putrajaya – 12 June 2020*
- *Hospital Tanjung Karang – 11 June 2020*
- *LRT3 – 4 May 2020*

From shareholder:

A. Engineering

- 1) *It has already been more than 3.5 years since the hospital contracts were awarded in October and December 2016. Are both projects on schedule? What are the contractual handover dates? And contractual delay hand-over LAD claim date?***

Construction activities ceased completely during the MCO. Work only recommenced early-June 2020 after the completion of the mandatory foreign worker health screenings for COVID-19.

The contractual completion dates for Hospital Tanjung Karang and Hospital Endokrin Putrajaya are both in November 2020. We have submitted applications for the extension of time due to the MCO and RMCO. JKR is processing our applications.

We are accelerating progress as we adapt to the Government's Standard Operating Procedures.

- 2) *What are the balance revenue and cost for these two hospital projects?***

For both hospitals, the balance as at 31 January 2020 is approximately RM260 million.

Light Rail Transit Ampang Line Extension (LRT2) Page: 13

- 3) *When will be the date of concluding the Final Account, and the balance revenue and cost for this project?***

The Final Account will be concluded in the course of the year. We are still sorting out the balance of the order book.

Light Rail Transit Line 3 (LRT3) Page: 14 and 145

- 4) *Is MRCB George Kent Sdn Bhd financial end from 1 Feb to 31 Jan? Will the Board kindly explain Year 2020's revenue and super-thin profit margin?***

MRCB George Kent Sdn Bhd's financial year end is 31 December 2019.

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The LRT3 project was re-modelled from a PDP to a fixed-price turnkey project by the Government. This necessitated the re-design and re-scoping of the overall project, and subsequently the renegotiation of all contracts, and confirmation and agreement of the new contract values with all the work package contractors.

Arising from the above, the project budget and profit have been revised. Consequently, the timing of recognition of revenue and profit was also affected, resulting in the lower profit recognised in FY2020.

- 5) ***The completion date for the project agreement is 28th Feb 2024. Will the Board kindly share with us the MRCB George Kent Sdn Bhd Revenue and Profit projection for year 2021, 2022, 2023, 2024 and 2025?***

As a public listed entity, we are not permitted to provide earnings forecasts. Business operations have, however, resumed with full capacity whilst adhering to the required SOPs.

- 6) ***Recently IBs raised concerns on Gkent rapidly thinning of construction order-book and no new contracts won. May I respectfully ask what is Gkent's current tender-book and expected order-book replenishment?***

Our current order book stands at RM4.5 billion. We do not have a specific target for its replenishment.

B. Meter (page: 15)

- 7) ***What is the status of this six-month pilot test?***

Pilot testing for one of the states is completed. We are liaising with the water authority on the next steps.

- 8) ***To-date the group had tendered in total how much RM worth of Malaysia's water meter replacement programme and the successful rate?***

We've tendered RM40 million. We do not have details on the success rate.

C. Investment holding and management company (Page: 68)

- 9) ***What are the assets employed, revenue generated and profit/loss from this principal activity?***

As at the end of the financial year, the Group registered short-term deposits with licensed banks of RM104.2 million and dividend income of RM1.4 million.

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D. Future prospects (page: 16)

- 10) Can the BOD present more detail on the above: M&As, Strategic Partnership, Complementary Business and upcoming tenders participate?***

We are looking at acquiring companies in Europe and Asia for technology, products and markets. This will augment our existing operations.

E. General

- 11) Why only two dividends totalling RM13.44 million for the year under review? Will the BOD propose paying dividends for the financial year end 31 Jan 2021?***

The Board of Directors decided that this was the best thing to do under the present circumstances. It is the Board's intention to pay dividends in FY2021.

- 12) I believe in paying dividend over shares buy-back for the reason that shareholders were given the choice to either use the dividend received to buy more Gkent or sell their shares after receiving the dividend. These will ride Gkent off short term investors and strengthen the Gkent price in long term. What is the Board's opinion?***

The question of paying dividend over share buybacks is a question of opinion. The Board believes that at a certain price, buying shares back is a good investment for the Company's money.

- 13) Refer (Page: 55) my appreciation to the Remuneration committee in reducing directors remuneration from RM 7,018,000 (2019) to RM 6,742,000 (2020). May I suggest, Directors use their Directors' remuneration and dividend received to buy more Gkent shares from the open market? Insiders buying will always have a positive effect and build confidence in the share price.***

The Directors take note of your suggestion.

- 14) May I suggest, BOD consider distributing treasury shares to shareholders as "shares dividend"?***

The Directors take note of your suggestion.

- 15) Will Management publish the answers to my questions in Gkent website as AGM minutes or email the answers back to me?***

The Management takes note of your suggestion.

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16) Why AGM 2018 - 67th AGM Minutes Summary available for download at the website but AGM 2019 – 68th AGM minutes was missing from the website?

The minutes have been uploaded.

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 2020 and the Report of Directors and Auditors had been duly tabled and received by the Shareholders.

4. POLL RESULTS

All the resolutions tabled at the 69th 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 Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah as a Director	246,649,582	99.401863	1,484,179	0.598137
<u>Ordinary Resolution 2</u> Re-election of Dato' Ahmad Khairummuzammil Bin Mohd Yusoff as a Director	247,512,939	99.766982	578,098	0.233018
<u>Ordinary Resolution 3</u> Approval of payment of Directors' Fees and benefits to Non-Executive Directors for the financial year ended 31 January 2020	248,062,561	99.928456	177,600	0.071544
<u>Ordinary Resolution 4</u> Approval of payment of Directors' Fees and benefits to Non-Executive Directors for the financial year ending 31 January 2021	248,120,661	99.992101	19,600	0.007899
<u>Ordinary Resolution 5</u> Re-appointment of Deloitte PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.	247,450,489	99.870647	320,499	0.129353

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	FOR		AGAINST	
	No. of shares	%	No. of shares	%
<u>Ordinary Resolution 6</u> Retention of Independent Non-Executive Director – Mr Ong Seng Pheow	246,049,418	99.093300	2,251,343	0.906700
<u>Ordinary Resolution 7</u> Retention of Independent Non-Executive Director – Dato' Paduka (Dr) Ir Hj Keizrul Bin Abdullah	246,755,982	99.402080	1,484,279	0.597920
<u>Ordinary Resolution 8</u> Approval of the Proposed Renewal of Share Buy-Back Authority	246,994,413	99.739863	644,200	0.260137
<u>Ordinary Resolution 9</u> Authorisation for Directors to allot shares	247,541,461	99.718499	698,800	0.281501

5 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 10.44 a.m.