

**TALIWORKS CORPORATION BERHAD**

(Company No. 6052-V)  
(Incorporated in Malaysia)

**MINUTES OF THE TWENTY THIRD ANNUAL GENERAL MEETING OF TALIWORKS CORPORATION BERHAD ("TALIWORKS" OR "THE COMPANY") HELD AT BALLROOM 1, FIRST FLOOR, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR ON WEDNESDAY, 18 JUNE 2014 AT 11:00 A.M.**

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**DIRECTORS** : Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting (*Chairman and Senior Independent Non-Executive Director*)  
: Mr. Lim Yew Boon (*Executive Director*)  
: Mr. Vijay Vijendra Sethu (*Non-Independent Non-Executive Director*)  
: Mr. Lim Chin Sean (*Non-Independent Non-Executive Director*)  
: Mr. Soong Chee Keong (*Independent Non-Executive Director*)

**MEMBERS,  
PROXY HOLDERS,  
CORPORATE  
REPRESENTATIVES,  
PRESS & INVITEES** : As per Attendance Lists

**IN ATTENDANCE** : Ms. Chua Siew Chuan (*Company Secretary*)

**CHAIRMAN**

Mr. Lim Yew Boon ("**Mr. Lim**") introduced Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting ("**Tan Sri Chairman**") who was recently appointed as Chairman of the Company to all present. Tan Sri Chairman welcomed all present to the Twenty Third Annual General Meeting ("**23<sup>rd</sup> AGM**") of the Company and called the Meeting to order at 11:00 a.m.

**QUORUM**

The requisite quorum being present pursuant to Article 58 of the Company's Articles of Association ("**AA**"), the Chairman declared the Meeting duly convened.

**NOTICE**

The Notice convening the Meeting dated 27 May 2014 having been circulated within the prescribed period, was with the permission of the Meeting, taken as read.

Tan Sri Chairman proceeded to report on the performance of the Taliworks Group ("**the Group**") for the financial year ended 31 December 2013 ("**2013**"). The Meeting noted the following:-

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- The Group generated a lower profit after tax of RM25.1 million for 2013 as compared to RM42.8 million achieved for the financial year ended 31 December 2012 ("**2012**").
- The Group posted higher revenue of RM281.8 million for 2013 as compared to RM253.3 million achieved in 2012. The financial performance of the Group was impacted by the impairment in one of the Company's projects in China and the effects of discounting from the continued delay in receiving payments from a major customer.
- The water treatment, supply and distribution business, which accounts for the bulk of revenue and profits of the Group, saw its contribution undermined by the impairment of trade receivables arising from the continuing delay in receiving payments. The auditors had highlighted this issue in their audit report as well as in the relevant notes in the financial statements.
- The Board had recommended the payment of a final single-tier dividend of 1.0 sen per share, which is subject to the Company's approval at the 23<sup>rd</sup> AGM.

Tan Sri Chairman also extended a word of thanks and gratitude to the management and staff for their dedication and contributions to the Group.

Tan Sri Chairman placed on record the Company's appreciation to the contributions of Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir and Encik Sulaiman bin Salleh, both of whom had retired from the Board after serving the Company for a considerable length of time, and to Encik Suhaimi bin Kamaralzaman, who had recently resigned as Chairman and Director of the Company. Tan Sri Chairman then extended a warm welcome to Mr. Vijay Vijendra Sethu ("**Mr. Vijay**"), who was recently appointed as a Non-Independent Non-Executive Director of the Company and thanked all the stakeholders for their resolute confidence in the Group.

### **1.0 RECEIPT OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON ("AFS 2013")**

Tan Sri Chairman informed that the first item on the Agenda was to receive the AFS 2013, which had been sent to all eligible shareholders within the prescribed period.

Tan Sri Chairman informed the Meeting that the Company had received a letter dated 13 June 2014 from the Minority Shareholder Watchdog Group ("**MSWG**"), which raised points and queries to be addressed and presented during the Company's 23<sup>rd</sup> AGM. The Company had also replied to MSWG vide the Company's letter dated 17 June 2014 in respect of the points and queries raised. The Meeting noted the following salient points and queries raised by MSWG and the Company's reply thereto as presented by Mr. Victor Wong Voon Leong ("**Mr. Victor Wong**"), the General Manager of Group Finance:-

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### **Strategic and Financial Matters**

1. During the year under review, Taliworks recorded an increase in revenue by 11.3% from RM253.3 million in 2012 to RM281.8 million in 2013. Almost every segment revenue had been increased in 2013. Despite the increase in revenue, the profit before tax ("**PBT**") dropped significantly by 35.9% from RM61 million in 2012 to RM39.1 million in 2013.

a) How would the Board address the dismay PBT result?

**Reply:** The decrease in PBT is attributable to two (2) main factors:-

- (i) The effects of discounting from the continued delay in receiving payments from a major trade debtor, Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("**SPLASH**") due to the on-going stalemate in the Selangor water consolidation exercise which has dragged on for the past few years. The discounting is required to be made under the Malaysian Financial Reporting Standards ("**MFRS**") and will continue to be made until the outstanding payment is addressed by SPLASH;
- (ii) The impairment made by a subsidiary, Ningxia Eco Wastewater Treatment Co. Ltd., which had secured a 30-year concession on a build-operate-transfer basis for the construction and management of the Linhe Integrated Industrial Park Zone A Wastewater and Recycled Water Treatment Plant in Yinchuan, province of Ningxia, China.

During the construction phase, it came to our knowledge that the industrial park will not be fully occupied due to the slowdown in the development of the said industrial zone which makes the project not financially viable. The facilities have since been handed back to the authorities and parties are negotiating for a fair compensation to be made.

Both events are beyond the control of the Board.

b) Does the Board foresee an improvement in the segment results and the key financial ratio in 2014?

**Reply:** Yes, the Board would expect to see better segment results and key financial ratio for 2014 due to increases in tariff rates for most of the operations and higher production levels, especially from the Sungai Selangor Water Treatment Works Phase 1 ("**SSP1**"), which is a major contributor to Taliworks, with the recent plant upgrade in SSP1 to meet growth in demand for treated water in Selangor.

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2. As reported in the Chairman's Statement, the Group has been successful in managing its concession assets and that for the next two (2) years remain crucial as Taliworks embarks on a massive undertaking to expand and upgrade the wastewater treatment plants in China which is expected to yield a higher tariff rate.

- a) Please share on the Group's success in managing the concession assets. What further improvement and contingency plan are needed, moving forward?

**Reply:** Taliworks started out in the water management sector in 1987 as a pioneer in the privatisation of the water supply in Malaysia. Other than operating and managing waste management concessions in China, Taliworks currently manages several long term contracts/concessions that contribute significantly to the financial results of Taliworks namely:-

- (i) the operation and maintenance contract for SSP1 that supplies to large parts of Selangor and Kuala Lumpur;
- (ii) the concession for the water supply and distribution system in Langkawi, Kedah.

Under these two (2) operations, Taliworks manages a total of six (6) water treatment plants with a combined capacity of 1,039.5 million litres per day.

- (iii) The management and operations of the Cheras-Kajang Highway under a joint-venture arrangement.

In managing and operating concession business, it is critical that operational efficiencies be improved and adequate cost controls are in place to ensure that the returns on investment will be enhanced over the duration of the concession.

In this regard, the Group places emphasis on adequacy of internal controls and a robust risk management framework to manage any present and emerging risks from each of the operations.

As all the concessions have a definite life span, Taliworks continuously seeks to grow its concession businesses either through organic growth or through acquisitions to sustain a steady stream of recurring income and cash flow.

- b) What would be the risk and control mechanism in place by Taliworks to ensure that the expansion and upgrading of the wastewater treatment plants would achieve its target and to complete on time without any cost overruns?

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- Reply:** (i) The expansion and upgrading of the wastewater treatment plants is a major public utility project in Yinchuan where the Yinchuan government, ("**the Client**"), through the Yinchuan Construction Bureau, will be indirectly bearing the actual construction costs as it will ultimately be reflected in the tariff rates that is chargeable by Taliworks. As such, the whole process of designing, costing, implementing, monitoring right up to commissioning stage is a fairly open and transparent process with significant government involvement and oversight.
- (ii) The design and costing has to be agreed upon by the Client, and public tenders are called by an independent Public Tender Agent to engage the main contractor(s) and the Supervising Consultant who will be responsible respectively to construct and monitor the implementation process on behalf of the Client.
- (iii) Any cost overruns will have to be agreed by the Client.
- (iv) The commissioning of the plants will involve the Client and the Department of Environment, to ensure that the standards are in compliance with their requirements.
3. On receivables (See Note 23 of the Annual Report 2013), the provision for discounting of non-current receivables stood at RM32.5 million in 2013. During the year under review, there was a reversal of discounting of receivables recorded in the book amounting to RM14.3 million (2012: RM28.2 million).

As regards to Note 23, the Auditors reported it as an emphasis of matter on page 69 of the Annual Report 2013. The Auditors stated:

*"We draw attention to Note 23 to the Financial Statements which more fully explains the uncertainty over the collectability of amount owing by a customer."*

Please update and explain to shareholders on the position of these receivables in terms of recoverability/reversal, the uncertainty elements, whether there would be any further provision or impairment, etc.

**Reply:** The Auditor's Emphasis of Matter on the uncertainty over the collectability of amount owing by a customer refers to the invoiced amounts owing by SPLASH, other than the receivables under a Debt Settlement Agreement (Note 23(b)(i) of the Audited Financial Statements refers).

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The payment of outstanding amounts by SPLASH would depend largely on the outcome of the on-going Selangor water consolidation exercise where the State Government of Selangor has offered to take-over SPLASH's water assets.

Under the MFRS, provision for discounting for trade receivables is required to be made for expected collections in excess of twelve (12) months and therefore in the absence of any resolution where the issue of the long outstanding debts is addressed by SPLASH, provision will continue to be made in the income statement.

Payments received from SPLASH are to settle invoices prior to the current financial year in priority over the current year's invoices. As a result thereof, a reversal of provision for discounting is made arising from the improvement in collection of prior year's invoices. On the other hand, a provision for discounting is made for current year's invoices which are not expected to be paid within the next twelve (12) months.

At this juncture, the Company had not made any impairment, other than the provision for discounting, as the amounts owing by SPLASH are not in dispute.

However, subsequently over the period until the receipt of payments, the provision for discounting would gradually unwind, with the reversal recognised in the income statement.

4. We note that the Group's gearing level stood at 55.5% or 0.55 times for the last two (2) years, up from 36% or 0.36 times in 2011.

When does the Board expect to bring down its gearing ratio? What is the optimum gearing level that Taliworks wants to achieve in the long run?

- Reply:** (i) Since Taliworks intends to continue to grow its businesses especially in China, the Company would expect a certain level of borrowings to be incurred and maintained to support its growth strategy. Moreover, the Company's businesses are concession-based and long term in nature and therefore, it is unlikely that the gearing ratio will be reduced in the near term as cash flow generated will be utilised to service borrowings which are structured to be repaid over the longer tenure.
- (ii) Under Note 39 to the Audited Financial Statements – Capital Risk Management, the Company had indicated that the gearing ratio would be maintained at less than 100%.
- (iii) Nevertheless, the Board would re-assess the appropriate gearing ratio if there are any business opportunities that may arise requiring further borrowings to be incurred.

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Tan Sri Chairman informed that MSWG had also encouraged the Board to publish the Minutes of the Company's AGM on its website to be in line with the spirit of transparency and good Corporate Governance ("CG") practices based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of Public Listed Companies in Malaysia by MSWG. Tan Sri Chairman informed that the Company would publish the Minutes of its AGM on the Company's website as suggested by MSWG.

There being no questions from the floor and in view that the first item of the Agenda was meant for discussion only as the provisions of Section 169(1) of the Companies Act, 1965 and the Company's AA do not require a formal approval for the AFS 2013 by the shareholders of the Company and hence, the AFS 2013 was then received.

### **2.0 APPROVAL FOR THE PAYMENT OF A FINAL SINGLE-TIER DIVIDEND OF 1.0 SEN PER ORDINARY SHARE IN RESPECT OF 2013**

Tan Sri Chairman informed that the second item on the Agenda was to approve the payment of a final single-tier dividend of 1.0 sen per ordinary share declared in respect of 2013. Tan Sri Chairman further informed that if this is approved, the dividend would be paid on 25 June 2014 to depositors whose names appear in the Record of Depositors as at the close of business on 11 June 2014.

Upon Mr. Loh Kok Seong's (*a shareholder*) enquired on the reason for fixing the book closure date on 11 June 2014, before the date of the 23<sup>rd</sup> AGM. Ms. Chua Siew Chuan, the Company Secretary replied that the book closure date had been determined by the Board and announced to Bursa Malaysia Securities Berhad earlier to facilitate earlier payment of dividend if approved at the Meeting.

There being no further questions from the floor, upon the proposal of Mr. Loh Kok Seong (*a shareholder*) and as seconded by Mr. Nah Swee Wayne (*proxyholder for Mal Monte Sdn. Bhd.*), the Meeting (*on a show of hands*), unanimously **RESOLVED** that the payment of a final single-tier dividend of 1.0 sen per ordinary share in respect of 2013, be approved.

### **3.0 APPROVAL FOR THE PAYMENT OF DIRECTORS' FEES FOR 2013**

Tan Sri Chairman informed that the next item on the Agenda was to approve the payment of Directors' fees for 2013.

Tan Sri Chairman further informed that the amount provided for the Directors' fees as stated in the AFS 2013 was RM210,000/- (Ringgit Malaysia: Two Hundred and Ten Thousand) only.

As there were no questions from the floor, upon the proposal of Ms. Lim Pui Yoke (*proxyholder for Lim Han Seng*) and as seconded by Mr. Chung Yoon Chen (*proxyholder for Lim Han Seng*), the Meeting (*on a show of hands*), unanimously **RESOLVED** that the payment of Directors' fees amounting to RM210,000/- (Ringgit Malaysia: Two Hundred and Ten Thousand) only for 2013, be approved.

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### **4.0 RE-ELECTION OF THE FOLLOWING DIRECTORS WHO ARE TO RETIRE IN ACCORDANCE WITH ARTICLE 85 OF THE COMPANY'S AA, AND BEING ELIGIBLE, HAD OFFERED THEMSELVES FOR RE-ELECTION:-**

- **Y. BHG. TAN SRI DATO' SERI ONG KA TING**
  - **MR. VIJAY VIJENDRA SETHU**
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Tan Sri Chairman informed that the next item on the Agenda was to re-elect the following Directors who are to retire in accordance with Article 85 of the Company's AA and that the retiring Directors, being eligible, had offered themselves for re-election: -

- i. Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting; and
- ii. Mr. Vijay Vijendra Sethu

At this juncture, Tan Sri Chairman declared his interest in this resolution in respect of his re-election as Director of the Company in accordance with Article 85 of the Company's AA and proposed to hand over the chair of the Meeting to Mr. Lim.

Mr. Lim took over the Chair and thanked Tan Sri Chairman for his nomination as Chairman for the agenda in respect of the said re-election in accordance with Article 85 of the Company's AA.

As there were no questions from the floor, upon the proposal of Pn. Nor Ashikin Binti Sihab (*proxyholder for Water Clinic Sdn. Bhd.*) and as seconded by Pn. Norazela Binti Salleh (*proxyholder for Malar Terang Sdn. Bhd.*), the Meeting (*on a show of hands*) unanimously **RESOLVED** that Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting, being eligible and having offered himself for re-election, be re-elected to serve on the Board of Directors of the Company.

Mr. Lim thereafter handed back the Chair of the Meeting to Tan Sri Chairman. Tan Sri Chairman thanked Mr. Lim for chairing the Meeting in respect of this segment of the Agenda and also thanked the floor for their support and informed that he would do his best to ensure transparency and good governance within the Group.

Upon the proposal of Ms. Teh Siok Wah (*a shareholder*) and as seconded by Pn. Nor Ashikin Binti Sihab (*proxyholder for Water Clinic Sdn. Bhd.*), the Meeting (*on a show of hands*) unanimously **RESOLVED** that Mr. Vijay Vijendra Sethu, being eligible and having offered himself for re-election, be re-elected to serve on the Board of Directors of the Company.

### **5.0 RE-APPOINTMENT OF MESSRS. DELOITTE AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

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Tan Sri Chairman informed that the next item on the Agenda was to re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.



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Messrs. Deloitte had expressed their willingness to continue in office as Auditors of the Company.

Upon the proposal of Ms. Sharon Wong Mae Teng (*proxyholder for Mal Monte Sdn. Bhd.*) and as seconded by Ms. Lee Seet Mei (*proxyholder for LGB Engineering Sdn. Bhd.*), the Meeting (*on a show of hands*) unanimously **RESOLVED** that the retiring Auditors, Messrs. Deloitte be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to fix their remuneration.

### **6.0 SPECIAL BUSINESS**

#### **ORDINARY RESOLUTION:**

#### **- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

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Tan Sri Chairman informed that the next item on the Agenda was a special business for the approval of "Ordinary Resolution: Authority to issue shares pursuant to Section 132D of the Companies Act, 1965".

Tan Sri Chairman further informed that the resolution was to grant authority to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting, provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being. The authority, unless revoked or varied by the Company in general meeting, would continue to be in force until the conclusion of the next Annual General Meeting of the Company.

As there were no questions from the floor, upon the proposal of Ms. Lim Pui Yoke (*proxyholder for Lim Han Seng*) and as seconded by Mr. Loh Kok Seong (*a shareholder*), the Meeting (*on a show of hands*), unanimously **RESOLVED** that the following Ordinary Resolution, be **APPROVED**:-

#### **ORDINARY RESOLUTION:**

#### **- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

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**"THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

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***AND THAT*** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**TERMINATION**

There being no notice received to transact any other business, Tan Sri Chairman concluded the Meeting at 11:45 a.m. and thanked all present for their attendance.

CONFIRMED AS A CORRECT RECORD

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Y. BHG. TAN SRI DATO' SERI ONG KA TING  
CHAIRMAN

Dated :