

TALIWORKS CORPORATION BERHAD (6052-V)
(Incorporated in Malaysia)

MINUTES OF TWENTY FIFTY ANNUAL GENERAL MEETING

Date	: Tuesday, 10 May 2016	
Time	: 10.30 a.m.	
Venue	: Maple Junior Ball Level C One World Hotel First Avenue, Bandar Utama City Centre 47800 Selangor Darul Ehsan	
		<u>Attendance for FY 2016</u>
Present	: Tan Sri Ong Ka Ting (Chairman, Senior Independent Non-Executive Director)	1 / 1
	: Dato' Lim Yew Boon (Executive Director)	1 / 1
	: Mr Lim Chin Sean (Non-Independent Non-Executive Director)	1 / 1
	: Mr Soong Chee Keong (Independent Non-Executive Director)	1 / 1
	: Mr Vijay Vijendra Sethu (Non-Independent Non-Executive Director)	1 / 1
	: Dato' Sri Amrin Awaluddin (Independent Non-Executive Director)	1 / 1
	: Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin (Independent Non-Executive Director)	1 / 1
	: En. Ahmad Jauhari Bin Yahya (Independent Non-Executive Director)	1 / 1
	: Shareholders and Proxy Holders – as per attendance lists	
In Attendance	: Mr Kevin Chin Soong Jin – Chief Investment Officer	
	: Mr Victor Wong Voon Leong – General Manager, Group Finance	
	: Ms Queck Wai Fong – Company Secretary	

ACTION

1. CHAIRMAN

Tan Sri Ong Ka Ting (“Tan Sri Chairman”) chaired the meeting.

2. WELCOMING ADDRESS

Tan Sri Chairman welcomed all present at the Twenty Fifth Annual General Meeting (“AGM”) of Taliworks Corporation Berhad (“TCB” or “the Company”) and called the meeting to order at 10.30 a.m.

ACTION

3. OPENING SPEECH

- 3.1 Tan Sri Chairman introduced the Board members, Senior Management and the Secretary to the meeting.
- 3.2 He also took the opportunity to congratulate Dato' Lim Yew Boon ("Dato' Lim") on his recent conferment of Darjah Setia Bakti Negeri Sembilan, which carries the title, "Dato".

4. QUORUM

The Secretary confirmed that a quorum was present for the meeting.

5. NUMBER OF PROXIES

The Secretary informed that the total number of proxy forms received within the prescribed period was 159, representing 1,007,585,208 shares of RM0.20 each in the issued and paid-up share capital of the Company.

6. NOTICE

The notice of meeting, having been circulated earlier, was taken as read.

7. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

- 7.1 Tan Sri Chairman declared that the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015 ("FYE 2015"), together with the Reports of the Directors and Auditors thereon, had been received in accordance with the Companies Act, 1965.
- 7.2 Tan Sri Chairman informed that the Company had received questions from Minority Shareholder Watchdog Group ("MSWG") and said the shareholders and proxy holders could raise questions after the presentation. Tan Sri Chairman then invited Mr Victor Wong Voon Leong ("Mr Victor Wong"), the General Manager of Group Finance, to read out the questions and answers to MSWG.
- 7.3 MSWG's questions and TCB's reply:

Strategic & Financial Matters

ACTION

Q1: We noted that the Independent Auditors had issued an Emphasis of Matter in relation to uncertainty over the collectability of amount owing from a customer [Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”), the biggest customer of TCB who owed approximately RM400 million as at FYE 2015]. The Group estimated that approximately RM100.6 million of collection from SPLASH will be received within the next 12 months.

What is the collection from the customer to date and what would be the estimated collection for the rest of this financial year?

A1: The collection from SPLASH from January 2016 to April 2016 was RM27.7 million. The collection for the rest of this financial year would depend on the financial condition of SPLASH and their ability to pay us, but we estimate it to be a further RM76.0 million for the next eight months. We are looking at RM100 million-RM105 million collection from them but this will depend on the current repayment pattern.

Q2: As stated in the Executive Director’s Review of Operations, although the metered sales for Taliworks (Langkawi) Sdn Bhd (“Taliworks (Langkawi)”) was higher than the previous year’s and production at SSP1 was relatively flat, margins were compressed by higher maintenance and rehabilitation expenses incurred and staff costs.

What are the measures taken to address the margin compression?

A2: It is normal and expected for maintenance, rehabilitation and upkeep costs to increase as the production facilities get older. Rehabilitation cost comes in cycles and is needed to maintain operational reliability and efficiency. Staff cost is controlled through a freeze on new positions and redistribution of work responsibilities. However, margins will improve in the year when there is an increase in the bulk sale rate.

Under Taliworks (Langkawi), we have this Concession Agreement (“CA”). In the CA, we need to increase the rate every few years. That increased rate would take care of the maintenance that we need to do over the years. Once the bulk sale rate comes in, that is when the margin will come up again.

Q3: As highlighted in the Review of Operations, “the coming years will be challenging as Taliworks (Langkawi) strives to maintain the high level of service the Langkawi community has grown accustomed to, in the face of a decreasing water supply and aged production and distribution facilities.”

What are the Board’s plans to overcome these challenges?

ACTION

A3: The decreasing water supply is caused by higher demand from the rapid development of Langkawi and availability of new sources of raw water supply is not under the purview of Taliworks (Langkawi). Nevertheless, to overcome this risk, Non-Revenue Water (“NRW”) activities have been stepped up to minimise distribution losses so as to make more water available for consumption.

The aged production and distribution facilities are kept in good operational condition through proper maintenance and rehabilitation programmes to maintain their reliability and efficiency.

Q4: We noted from the Review of Operations that the Group faces challenges, such as price fluctuation in construction materials and shortage of foreign construction workers in the Engineering and Construction Division.

How would the Board deal with these challenges?

A4: Price fluctuation in materials and shortage of foreign construction workers are normal in the construction industry due to factors that are beyond the control of the Company. Nevertheless, to minimise these risks, we have taken into account these factors when pricing our tenders competitively. Where possible, we will ensure that there are adequate provisions for price fluctuation in contracts that will buffer us against unfavourable price variations in construction materials over the duration of a project.

Q5: The available-for-sale financial assets which comprise investment in quoted unit trusts in money market securities instruments that are not held for trading increased from RM114.5 million in FY 2014 to RM238.7 million in FY 2015.

What is the average rate of return on these investments?

A5: The average rate of return ranges from 3.17% to 3.90% from the various money market securities instruments that were invested (Source: Average of one year returns from 25 December 2014 to 25 December 2015 from The Edge Lipper Fund Table).

Corporate Governance Matters

Q6: We noted that the Company has proposed a resolution to seek shareholders’ approval to approve the maximum aggregate amount available for payment of Directors’ fee up to RM1.5 million per annum.

ACTION

We do not encourage the Company to seek approval for the fee cap as it is not in line with corporate governance best practices. Shareholders should be allowed to vote and approve on the Directors' fees on a yearly basis.

Please comment.

- A6: We have provided the rationale for the proposed resolution under the explanatory note on Page 205 of the Annual Report 2015. Nevertheless, we take note of the comment made by the MSWG.

Since the Notice of AGM has been sent and received by shareholders, we propose to let the shareholders deliberate and make a decision on this resolution.

- Q7: We noted the non-audit fees incurred for services rendered to the Company and its subsidiaries by the auditors of the Company amounting to RM676,800 was higher than the statutory audit fee of RM375,000 for FY2015.

What was the nature of these non-audit fees?

- A7: The non-audit fees are in relation to the appointment of the auditors to report on the compilation of pro forma financial information in connection with the Reorganisation carried out on 26 November 2015 (refer to page 189, Note 47 of the Financial Statements) and the Proposed Acquisition and Proposed Disposal announced by the Company on 25 February 2016 (refer to page 191, Note 48 of the Financial Statements).

Currently, Deloitte Tax is the tax agent for the Company and its Malaysian subsidiaries. The non-audit fees were also incurred in relation to their services provided for statutory tax filing services, GST and Transfer Pricing engagements.

7.4 Shareholder's Question and TCB's Reply:

- Q1: Mr Mootha Kumaran Bass ("Mr Mootha") (Shareholder):
Please explain why the net profit dropped from RM303.2 million to RM91.6 million when the revenue increased from RM353.9 million to RM410.9 million. How could this be recovered in 2016?

- A1: Mr Victor Wong:
We have explained in the Chairman's Statement and Executive Director's Review of Operations that the profit in 2014 shot up substantially to RM303.2 million mainly due to an extraordinary gain on restructuring. Likewise for 2015, there were some exceptional items in the financial statements, and of one being the gain from the disposal of Pinggiran Muhibbah Sdn Bhd amounting to approximately RM59.5 million.

ACTION

If you look at it from the operating aspect and exclude all the exceptional items, you will find that the profit for 2015 was much better than 2014. In the Chairman's Statement, it is stated that after stripping out all the exceptional items, the Group's normalised profit was RM31.4 million compared with RM30.6 million in 2014.

- 7.4 Since there were no further questions from the shareholders and proxy holders, Tan Sri Chairman proceeded with agenda item no. 2.

8. TO APPROVE THE PAYMENT OF DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

On the proposal of Mr Ng Aik Pheng ("Mr Ng") and seconded by Mr Mootha, it was unanimously resolved:

"THAT the payment of Directors' fees for the financial year ended 31 December 2015 amounting to RM480,000.00 be and is hereby approved."

9. TO APPROVE THE MAXIMUM AGGREGATE AMOUNT PAYABLE BY WAY OF DIRECTORS' FEE UP TO RM1.5 MILLION PER ANNUM, SUCH SUM TO BE DIVIDED AMONGST THE DIRECTORS IN SUCH A MANNER AS THEY DEEMED FIT

- 9.1 Before Tan Sri Chairman proceeded with the other agenda items, he said the Directors' remuneration for FYE 2015 and for financial year ending 31 December 2016 ("FYE 2016") had been detailed out and explained in pages 55-57 (in the Corporate Governance Statement) of the Annual Report 2015.

- 9.2 Tan Sri Chairman said the rationale to approve the Directors' fee pool of up to RM1.5 million per annum (from FYE 2016 onwards) was explained in page 205 of the Annual Report 2015. However, for good corporate governance purpose, the Board would seek shareholders' approval again at the annual general meeting for any increase in the Directors' fee.

- 9.3 Tan Sri Chairman then invited the shareholders and proxy holders to raise their questions on this agenda item.

Q1: Mr Muniandy A/L Karishnan ("Mr Muniandy") (shareholder):
I would like to know your expected remuneration for FYE 2016. The cap is up to RM1.5 million; however, the Directors' fee for FYE 2015 was only RM480,000.

The shareholders have agreed that the Directors' fee should be dependent on the performance of the Directors and the Company/Group.

ACTION

- A1: Mr Victor Wong:
The breakdown of the Directors' fee for FYE 2015 is explained in page 55 of the Annual Report 2015 as follows:

		RM (p.a.)
1.	Chairman	100,000
2.	Chairman of Audit and Risk Management Committee	80,000
3.	Executive Director	60,000
4.	Independent Non-Executive Director	60,000
5.	Non-independent Non-Executive Director	60,000

Last year, two new Directors, i.e. En. Ahmad Jauhari Bin Yahya ("En Ahmad Jauhari") and Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin ("Raja Datuk Zaharaton"), were appointed in July and thus, their fees were proportionate for FYE 2015. As a result, the total Directors' fee for FYE 2015 amounted to RM480,000.

Mr Victor Wong directed the meeting to page 57 of the Annual Report 2015 and said the Directors had proposed to double their fee for FYE 2016 onward as follows:

		RM (p.a.)
1.	Chairman	200,000
2.	Chairman of Audit and Risk Management Committee	160,000
3.	Executive Director	120,000
4.	Independent Non-Executive Director	120,000
5.	Non-independent Non-Executive Director	120,000

Mr Victor Wong said assuming the proposed 2016 Directors' fee was implemented and there was no appointment of new directors or resignation from the existing Directors, the total Directors' fee for the existing eight Directors for FYE 2016 would amount to RM1.08 million.

- Q2: Mr Muniandy:
What does it mean by "n/a" in page 57 of the Annual Report 2015.
- A2: Tan Sri Chairman:
It means "not applicable".
- Q3: Mr Mootha:
We have no problem with the increase of 100% in Directors' fee. When would be the next increase in Directors' fee? In a short while, one year, two years? What is your forecast timeframe?

ACTION

A3: Tan Sri Chairman:
You have asked a very relevant question. The proposed increase in Directors' fee that Mr Victor Wong read out from page 57 is meant for FYE 2016. On behalf of the Board, I can assure you that the proposed fee would remain throughout the whole of 2016. There will not be any increase in Directors' fee without the shareholders' approval.

Q4: Mr Mootha:
This is a 100% increase in Directors' fee but we have not seen the performance of the Directors. How can we approve this resolution? I do not see a need to approve the Directors' fee pool of up to RM1.5 million when the actual proposed Directors' fee is only RM1.08 million. Is this necessary? Hence, the resolution must be deferred.

A4: Tan Sri Chairman:
We will ensure that the Directors' fee for FYE 2016 is RM1.08 million, on the assumption that there is no appointment of additional directors or resignation of directors during FYE 2016, without the approval from the shareholders.

As for the performance of the Company, the shareholders have been following us for the last few years and you can see that the Company has been growing. A number of corporate exercises have been completed and the Directors here are Directors with very good background from either the corporate world or areas of their expertise. We are not here just to attend meetings but to contribute valuable ideas. If you look at the dividend payout, it has jumped many folds from two years ago. Those numbers are there and we are not asking something which is unreasonable.

Q5: Ms Rebecca from MSWG:
First of all, thank you for presenting our questions as well as giving us the written reply prior to the AGM. We just want to clarify our query and we also note your reply as well as the rationale. We just want to say that we have no issue on the quantum of the fee but we feel that it is a good practice to put this up to the shareholders for approval on a yearly basis.

For the Board's information, we understand from Bursa Malaysia Securities Berhad ("Bursa Securities") that they are issuing a circular soon that requires companies to put up the Directors' fee for shareholders' approval on a yearly basis and capping will not be allowed.

ACTION

Having said all these, we just want to say that the Company has very good and transparent disclosure on the individual Director's remuneration as well as fee structure. We know that not many companies are doing this. Hence, we hope the Board will look into the matter.

A5: Tan Sri Chairman:

We will certainly adhere to the good corporate governance practice and produce what you just said. What we are presenting to you is exactly as stated in page 57 of the Annual Report, and we will not increase our fee without shareholders' approval. What we are proposing today is stated clearly in page 57 of the Annual Report 2016 and we just want everything to be transparent.

We will definitely work hard to further develop the Company. After this meeting, there will be an Extraordinary General Meeting and you will know where we are heading to then. We have a very good strategic partner that we have confidence in. Even the Employees Provident Fund is coming in to give recognition to the Company. The Company's credibility is strengthening; hence, you can be rest assured of our commitment.

We appreciate MSWG's view and we will certainly keep reminding ourselves to adhere to the best practice of corporate governance.

9.4 On the proposal of Ms Lim Pui Yoke and seconded by Mr Wang Kwee Luan, it was resolved:

“THAT the maximum aggregate amount payable by way of Directors' fee up to RM1.5 million per annum, of which the sum will be divided amongst the directors in such a manner as they deem fit, be and is hereby approved.”

10. TO RE-ELECT THE DIRECTORS WHO ARE RETIRING PURSUANT TO ARTICLE 80 OF THE COMPANY'S ARTICLES OF ASSOCIATION

10.1 Re-election of Mr Soong Chee Keong

On the proposal of Mr Mootha and seconded by Mr Eddie Chew Yew Meng (“Mr Eddie Chew”), it was unanimously resolved:

“THAT Mr Soong Chee Keong, retiring pursuant to Article 80 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company.”

ACTION

10.2 Re-election of Mr Lim Chin Sean

On the proposal of Mr Wong Chor @ Wong Foo Kheong and seconded by Mr Phang Kwai Sang, it was unanimously resolved:

“THAT Mr Lim Chin Sean, retiring pursuant to Article 85 of the Company’s Articles of Association, be and is hereby re-elected as a Director of the Company.”

11. TO RE-ELECT THE DIRECTORS WHO ARE RETIRING PURSUANT TO ARTICLE 85 OF THE COMPANY’S ARTICLES OF ASSOCIATION

11.1 Re-election of En. Ahmad Jauhari Bin Yahya

On the proposal of Mr Mootha and seconded by Mr Eddie Chew, it was unanimously resolved:

“THAT En. Ahmad Jauhari Bin Yahya, retiring pursuant to Article 85 of the Company’s Articles of Association, be and is hereby re-elected as a Director of the Company.”

11.2 Re-election of Raja Datuk Zaharaton Binti Raja Dato’ Zainal Abidin

On the proposal of Mr Mootha and seconded by Ms Cheok Pei Lu, it was unanimously resolved:

“THAT Raja Datuk Zaharaton Binti Raja Dato’ Zainal Abidin, retiring pursuant to Article 85 of the Company’s Articles of Association, be and is hereby re-elected as a Director of the Company.”

12. 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

On the proposal of Mr Mootha and seconded by Mr Muniandy, it was resolved:

“THAT Messrs Deloitte be and are hereby re-appointed as auditors of the Company at a fee to be agreed upon with the Directors of the Company and they shall hold office until the conclusion of the next Annual General Meeting.”

ACTION

13. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

On the proposal of Mr Mootha and seconded by Mr Eddie Chew, it was unanimously resolved:

“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;

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.”

14. PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

On the proposal of Mr Mootha and seconded by Ms Sharon Wong Mae Teng, it was unanimously resolved:

“THAT subject to Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (“the Group”) to enter into recurrent related party transactions of a revenue or trading nature (“RRPT”) with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 18 April 2016 (“the Circular”) provided that such transactions are:

- (a) Necessary for the day-to-day operations;
- (b) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (c) Not prejudicial to the minority shareholders of the Company.

(“Shareholders’ Mandate”)

THAT such approval shall continue to be in force and effect until:

ACTION

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders’ Mandate, with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities.”

15. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

On the proposal of Mr Mootha and seconded by Mr Eddie Chew, it was unanimously resolved:

“THAT the following proposed amendments to the Articles of Association of the Company be approved and adopted:

Amended Article No. 118

Presentation of Accounts. The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the directors’ and auditors’ reports in printed form or in CD-ROM form or in such other form of electronic media, shall not exceed four (4) months. A copy of the annual report (including every document required by law to be annexed thereto) in printed form or in CD-ROM form or in such other form of electronic media, shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not exceed ~~(6)~~ **four (4)** months from the close of a financial year of the Company be sent to every member of, ~~and to every holder of debentures~~ of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by

ACTION

the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Company's Office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) Market Days from the date of receipt of the Member's request."

16. CLOSURE OF MEETING

There, being no further business, the meeting closed at 11.30 a.m. with a vote of thanks to the Chair.

Date: 10 May 2016

READ AND CONFIRMED BY

CHAIRMAN