



Quality Concrete Holdings Berhad

[Registration No. 199601005936 (378282-D)]

(Incorporated in Malaysia)

MINUTES OF THE TWENTY-SIXTH ANNUAL GENERAL MEETING (“26TH AGM”) OF QUALITY CONCRETE HOLDINGS BERHAD HELD AT ROOM 209, 2ND FLOOR, WISMA BUKIT MATA KUCHING, JALAN TUNKU ABDUL RAHMAN, 93100 KUCHING, SARAWAK, ON MONDAY, 4 JULY 2022 AT 10.30AM

PRESENT : Tiang Ching Kok – Chairman
 Paul Chiam Tau Keen – Executive Director
 Felix Wong Khung Chui – Independent Director
 Ha Tiuen Kiong – Independent Director
 Pang Kim Soo – Independent Director
 Lynda Chong Hui Lyn – Independent Director

Chairman Proxy for Cahaya Besi (Sarawak) Sdn. Bhd.
Chairman Proxy for Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged
Securities Account for Cahaya Besi (Sarawak) Sdn. Bhd.
Kuan Yung Chieng Proxy for Yesgains Sdn. Bhd.
Paul Chiam Tau Keen Proxy for Wangsa Bumimas Timber Sdn. Bhd.

Lim Cian Yai – Corporate Representative from Badan Pengawas
Pemegang Saham Minoriti Berhad

Steven Low – Ernst & Young PLT
Bong Chiam Ning – Ernst & Young PLT
Phang Yee Ling – Ernst & Young PLT

Yeo Puay Huang - Secretary

Lee Sheau Ling – Commercial Quest Sdn. Bhd. (Independent Scrutineer)

QUORUM

The requisite quorum being present pursuant to Clause 95 of the Constitution of the Company, the Chairman, Mr Tiang Ching Kok, called the meeting to order at 10:30 a.m.

The Chairman informed that the Company had received proxies from 4 shareholders representing 13,636,200 shares equivalent to 23.52% of the total paid up capital of the Company within the stipulated prescribed period of 48 hours before the time for convening the 26th AGM, 2 members were present in person and 1 corporate representative from MSWG was present at the 26th AGM.

NOTICE

Notice convening the meeting was taken as read.

PRELIMINARY

The Chairman welcomed the directors, secretary, members, proxies, corporate representative, auditors and all invitees present at the 26th AGM. The Chairman then introduced each and every member of the Board of Directors (“Board”) as well as the Company Secretaries who were in attendance.

The Chairman informed that :

- only members whose names appear in the Record of Depositors on 24th June 2022, being the cut-off date, shall be entitled to attend, speak and vote at the 26th AGM.
- Bursa Malaysia has made it mandatory for poll voting for all resolutions set out in the notice of general meeting with effect from 1 July 2016.

The Chairman further informed that the Company had appointed Securities Services (Holdings) Sdn. Bhd. as Poll Administrator to conduct the polling process and Commercial Quest Sdn. Bhd. as Independent Scrutineers to verify the poll results. The polling process for the resolutions would be conducted upon completion of the deliberation of all items set out in the Notice of the 26th AGM to be transacted.

The Chairman then informed that the Company has received questions from the Minority Shareholders Watch Group, MSWG on 27th June 2022 on matters to be addressed at 26th AGM in the interests of the minority shareholders.

The points raised by MSWG and the Management’s response was read out by Mr Paul Chiam Tau Keen, the Executive Director as follows:

Questions from Minority Shareholder Watch Group

Operational & Financial Matters

1. QCHB achieved significant improvement in bottomline with a net profit of RM6.16 million recorded in FY2022, being the Group’s best performance since FY2011. The better performance was mainly driven by the Construction & Property segment, while the Manufacturing segment remained in loss with a pre-tax loss of RM2.4 million?

- a) Is the robust performance sustainable in FY2022?

Barring any unforeseen circumstances, the management expects the Group will remain profitable in FY2023. However, we expect the profit margin would be lower than that reported in FY2022 due to the significant increase in fuel cost and material prices.

- b) Will the Group be able to turn around the Manufacturing business in the near term?

We do not expect the Manufacturing business to turnaround in the near term. Our ready-mixed concrete division is still in loss making position although the result has improved as compared to FY2021. Meanwhile, the revenue of pipes division is very much depends on government spending on water infrastructure project which are not the government's main area of focus in the past 2 years. We expect the demand will remain soft in FY2023. Furthermore, the increase of raw material price and stronger US dollar will bring about higher costs of production. As a result, we expect it would take longer period for the manufacturing sector to improve depending on when the fuel and material prices will stabilize and the consumer confident is back.

- c) The ready-mixed concrete which is parked under the Manufacturing segment has been making losses for years with pre-tax losses of ranging between RM2.4 million to RM6.1 million for the period between FY2019 – FY2022.

What is the long-term strategy to reverse the profitability of this division? Would the Board consider divesting these loss-making businesses?

While the ready-mixed concrete division continues to report a loss position, it has shown sign of improvement after the management taken step to close down some of the loss making branches. Currently, the Group is only operating a few branches at areas which has growth potential.

2. QCHB had recognized rental income of RM3.78 million (FY2021: RM367,000) in FY2022 (page 104, Note 5 – Other income, AR2022).

Which are the properties being leased to generate rental income to the Group? What is the yield generated from the leasing of these properties?

The rental income was mainly derived from leasing of construction machinery to our sub-contractors for our Igan Bridge project.

3. QCHB stated that “there was no significant concentration of credit risk with any entity except for debts totalling RM30.4 million (2021: RM9.2 million) due from a non-controlling shareholder (NCI Shareholder) of a subsidiary company.” (page 159, Note 33 (a) - Credit risk, AR2021). Included in the debts are payments for materials made on behalf of the NCI Shareholder of RM26.0 million (FY2021: RM2.6 million) which is disclosed in Note 21 of QCHB's financial statement as prepayments. The NCI Shareholder acts as a subcontractor for a contract secured.

- a) To which business or contract that these prepayments related to?

The prepayment is related to our Igan Bridge Project.

- b) Is the NCI shareholder a related party of QCHB's major shareholders?

The NCI is not related to QCHB's major shareholders. It is the NCI of another partly owned subsidiary.

- c) Why did the Group provide advances to the NCI shareholder (who is also a subcontractor for a contract secured) as contractors are normally paid for the work completed on a progressive basis?

The advances were in the form of payment of materials on behalf of the subcontractor. It is not cash advance. It is quite common in the construction business when the sub-contractors do not have sufficient financial facility to procure huge quantum of materials especially with the recent escalation of material price. The main contractor will provide some financial assistance so that the work progress is not affected and then the amount owing will be deducted from the sub-contractors' subsequent progress claims for the work done.

- d) How is the progress of the contract undertaken by the NCI Shareholder?

As of 31 January 2022, the project undertaken are on schedule.

- e) The prepayments would be recovered via future billings from the said sub-contractor (page 137, Note 21 – Other current assets, AR2022).

What are the remedies available to the Group if the contractor fails to complete the works awarded?

Should the contractor fails to complete the work, the Group will take over the project and terminate the contract with the contractor. As the advance were in the form of construction materials procured on behalf of the contractor, we do not foresee recoverability issue as all the materials were delivered and remained at the site. The Group will appoint a different contractor to carry out the works instead if the current contractor failed and according to the terms & conditions of the agreement, the Group would be able to recover any additional loss and expenses from the sub-contractor.

4. QCHB recorded a substantial increase of about 50% in total loans and borrowings to RM101.74 million from RM67.86 million. Significant increases were recorded in bankers' acceptances, term loans, invoice financing and lease liabilities.

- a) Why was there significant increase in total loans and borrowings?

The increase was due to project financing facilities secured for the Igan Bridge Projects.

- b) About 77% (RM78.14 million) of the loans and borrowings would be matured in a year. Given the negative position of cash (- RM42,000) generated from operating activities recorded as at the end of FY2022, as well as a current ratio of 0.97 time, how would QCHB be able to manage its liquidity to meet its current liabilities (include short-term loans and borrowings) when due?

The majority of borrowing dues are in the form of revolving trade facilities such as banker's acceptance, invoice financing and revolving credits. These facilities are used to pay for materials and other costs required for the business especially the construction business. The borrowing due will be paid off with the proceeds received from the client of the construction projects. Thereafter the settled trade facilities may be used to pay for the upcoming material purchases

Corporate Governance Matters

1. QCHB's executive director Mr. Tiang Ching Kok received total remuneration of RM946,000 which consisted of allowances amounted to RM178,000 and benefits-in-kind of RM36,000 (page 21 of AR2022).

What do the allowances and benefits-in-kind consist of?

The allowances include short term and performance based incentive awarded based on the Group's performance as well as individual performance on the Group's on-going construction projects and will ceased once the projects are completed. Benefits in kind consist of provision of company car and club membership subscriptions.

The Minority Shareholder Watch Group has raised further questions during the 26th AGM and the management responses are presented as below.

- 1) As the Construction and Road Maintenance Segment has become the major contributor. How much is the book value of project in hand?

We have four projects in hand which are the Igan bridge project worth about RM255 million, Meritam road project of about RM46 million, Sampadi bridge upgrading of RM70 million and Saradise housing project of RM53 million. Meanwhile, our Road maintenance concession contributed approximately RM30 million per annum.

- 2) What is the remaining order book?

The Igan project is 30% completed as at 31 January 2022.
The Road Maintenance concession is in its 3rd year with 7 years contract period remaining.

- 3) What is the road length maintained by the Road Maintenance Division?

It is approximately 1100 km.

4) What is the prospect of Road Maintenance Division?

We are currently maintaining about 1100km of roads and there may be further addition to this road length when there are new roads completed in the concession's boundary.

5) How would the increasing material price globally impact the road maintenance business?

It has certain impact on the Road maintenance as the main materials are stones, bitumens. We do have a provision in the contract with government to revise the price, but given the current situation, we think that it may not be enough to cover the increase in cost. We are currently negotiating with the government along with other concessionaires for a bigger increase.

6) Is there any plan to divest the Ready mixed Concrete Division since it is remains loss making for so many years?

The Management does not have any plan to completely divest this division instead are consolidating to ensure focus is place on some of the growth area as we anticipate there will be more projects to be rolled out by the Sarawak Government in the near future.

7) What is the capacity the RMC division is currently operating?

It is operating at about 50% of its full capacity now.

After dealt with the points raised by MSWG and the Management's response by Mr Paul Chiam, the Chairman informed that as there was no legal requirement for a proposed resolution to be seconded, he would take the Meeting through each item in the Agenda as set out in the Notice of the 26th AGM for deliberation. As there were no questions raised from the floor on all the items in the Agenda, the Chairman declared that the registration for attendance at the 26th AGM closed at 11:00 a.m.

The Chairman then requested to Secretary to explain the polling procedure and thereafter proceeded to poll voting.

The Secretary informed the Members, Corporate Representative, and Proxies to vote and signed the Poll Slip accordingly and drop the poll slip into the ballot box after completed and signed.

The Chairman then declared the Meeting adjourned for the polling process. It was anticipated that the casting and verification of the votes would take about 10 minutes to complete, and the Meeting should resume at 11:10 a.m. for the declaration of poll results in respect of Resolutions 1 to 6.

Announcement of Poll Results

The Chairman called the Meeting to order at 11:12 a.m. for the announcement of poll results. The results of the poll, which were verified by the appointed Independent Scrutineer, Messrs Commercial Quest Sdn. Bhd. were read out by the Secretary as follows:

| | | Vote For | | Vote Against | | Total Votes | |
|-----------------------------|---|---------------|-------|---------------|------|---------------|-------|
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| As Ordinary Business | | | | | | | |
| Resolution 1 | To re-elect Mr Tiang Ching Kok who is retiring in accordance with Clause 119 of the Company's Constitution and being eligible, has offered himself for re-election. | 16,919,800 | 100.0 | 0 | 0.0 | 16,919,800 | 100.0 |
| Resolution 2 | To re-elect Ir. Ha Tuen Kiong who is retiring in accordance with Clause 117 of the Company's Constitution and being eligible, has offered himself for re-election. | 16,919,800 | 100.0 | 0 | 0.0 | 16,919,800 | 100.0 |
| Resolution 3 | To approve Directors fees of RM72,000.00 and meeting allowance of RM48,000.00 in respect of the financial year ended 31 January 2023. | 16,919,800 | 100.0 | 0 | 0.0 | 16,919,800 | 100.0 |
| Resolution 4 | To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | 16,919,800 | 100.0 | 0 | 0.0 | 16,919,800 | 100.0 |
| As Special Business | | | | | | | |
| Resolution 5 | To authorize Directors to allot and issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016. | 16,919,800 | 100.0 | 0 | 0.0 | 16,919,800 | 100.0 |
| Resolution 6 | Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transaction Of A Revenue Or Trading Nature. | 16,919,800 | 100.0 | 0 | 0.00 | 16,919,800 | 100.0 |

After the results of the Poll were announced by the Secretary, the Chairman declared Resolution 1 to Resolution 6 were duly passed at the 26th AGM.

There being no other business, the 26th AGM of the Company ended at 11:22 am, and the Chairman thanked all present for their attendance.

CONFIRMED BY :

CHAIRMAN