



Quality Concrete Holdings Berhad

[Registration No. 199601005936 (378282-D)]

(Incorporated in Malaysia)

**MINUTES OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING (“27TH AGM”)
OF QUALITY CONCRETE HOLDINGS BERHAD (“THE COMPANY”) HELD AT ROOM
209, 2ND FLOOR, WISMA BUKIT MATA KUCHING, JALAN TUNKU ABDUL RAHMAN,
93100 KUCHING, SARAWAK, ON MONDAY, 3 JULY 2023 AT 10.30AM**

PRESENT: Directors

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

Proxies

Chairman Proxy 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.

Corporate Representative

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

Members

Datin Ha Ai Ing
Tiang Ching Kok
Yeo Puay Huang

Auditors

Steven Low – Ernst & Young PLT
Wong Duu Shyan – Ernst & Young PLT
Phang Yee Lin – Ernst & Young PLT
Nicholas Chia – KPMG PLT
Alvin Ang – KPMG PLT

Secretary

Yeo Puay Huang

Independent Scrutineer

Lee Sheau Ling – Commercial Quest Sdn. Bhd.

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 3 shareholders representing 7,490,300 shares equivalent to 12.92% of the total paid up capital of the Company within the stipulated prescribed period of 48 hours before the time for convening the 27th AGM, 3 members were present in person and 1 corporate representative from MSWG was present at the 27th AGM.

NOTICE

Notice convening the meeting was, with the consent of all members, proxies and corporate representative present, taken as read.

PRELIMINARY

The Chairman welcomed the directors, secretary, members, proxies, corporate representative, auditors and Independent Scrutineer present at the 27th 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 23rd June 2023, being the cut-off date, shall be entitled to attend, speak and vote at the 27th 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 Scrutineer 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 27th AGM to be transacted.

The Chairman then informed that the Company has received questions from the Minority Shareholders Watch Group, MSWG on 26th June 2023 on matters to be addressed at 27th 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
(The questions are in blue and answers are in black)

Operational & Financial Matters

1) Question:

Despite recording higher revenue of RM208.4 million for FY2023, QCHB turned loss-making with a net loss of RM2.47 million compared to a net profit of RM6.16 million in the previous year. Notably, FY2023 was the fourth year that the Group posted losses between FY2019 and FY2023.

The weaker bottom-line performance was affected by one-off impairments of RM4.1 million on properties, plants, and equipment (PPE) of the underperforming Manufacturing segment. At the same time, the Manufacturing segment also saw its pre-tax loss widen to RM9.6 million from RM2.4 million in the previous financial year, in line with a lower topline year-on-year.

- a) Was the decline in market demand towards QCHB's products due to industry-wide oversupply or a mismatch between market demand and QCHB's product offerings?

Our products rely on government spending on infrastructure projects. Since the outbreak of covid-19 pandemic, government spending was directed to pandemic related aid. Hence, there were less funding for infrastructure projects. We have yet to see the demand for our product to return to normal yet after the pandemic was declared as endemic in 2022. Furthermore, political tension and high interest rate also affected the overall market for the private sector as there were fewer development projects launched as compared to the pre-covid time.

Has the business prospects improved since the beginning of FY2024? Has the Group seen a recovery in demand for its products in FY2024? What will be the strategy to effectively improve the Manufacturing segment's profitability?

As of first quarter of 2024, we have not seen the demand for our products improved yet. However, we do note that infrastructure related tenders have gradually increased. Hence, there will be more opportunity for our products to be marketed. The management is following up closely on any updates on those projects and ramping up our effort to secure more sales should those projects were awarded out to successful tenderers.

- b) Referring to the RM4.1 million impairment made on PPE of the Manufacturing segment in FY2023, to which division (e.g., ready-mixed concrete, timber products, pipes) do these impairments relate to? Please provide the breakdown of the impairment by property, plant and equipment in FY2023 with the respective amount.

The impairments relates to mainly pipes division and another non-core mask making division.

The Breakdowns are as follows:

	RM'000
Right of use Asset	921.00
Mechanical & Electrical Work on Buildings	1,211.00
Building renovations	741.00
Plant & Machineries	<u>1,214.00</u>
Total	<u>4,087.00</u>

Does the Group expect further impairments to be made to the PPE of the Manufacturing division?

Impairment assessment is very subjective depending on the market development and the respective Company's overall operation performance. The management is still monitoring the market conditions and will discuss with the external auditor to determine whether further impairment is needed.

2. The construction division under the Construction & Property Development segment has an orderbook of RM205 million (FY2022: RM289 million) to be completed in the next three years.

The Division recognised revenue of RM106.6 million in FY2023. It is the single largest revenue contributor for QCHB, with about half of FY2023 revenue coming from the Division.

Given the dwindling orderbook and the importance of the division to QCHB's topline performance, what is the management guidance on the construction division's orderbook replenishment in the next two to three years?

The management understood the importance of maintaining a healthy level of book orders to ensure the continuity of the Group's operation and is currently exploring the viability of a few proposals with the relevant parties and this may become clearer in the second half of the year. However, the Group doesn't want to over commit our resources to procure more projects while our existing projects are still ongoing especially our bridge project is now at the critical construction phase which requires more efforts and resources to ensure the project will be completed in time.

Is the Group actively bidding for new projects currently? What are the tender- book sizes and the average success rate?

The management is continuously participating in new tenders. However, the management is very selective in choosing tenders given the risk associated with the construction projects. These involve the material cost, high of the continuance raise of interest rate. Projects that are ranging between RM50 million to RM200 million are currently under reviewed by the group management and we are optimistic that we will be able to procure one or two of these projects in the coming months subject to the final terms and conditions of the contract.

What could QCHB do to reduce its reliance on the non-recurring construction projects to ensure the long-term business sustainability of the Company?

The Group continues to explore new business opportunities to ensure that we do not rely on one particular revenue stream. Our Group has substantial land banks that can be developed once we have completed the market study and product mix also we are also exploring the opportunities to bring in new products and services that closely related to our field such as maintenance services and construction materials.

3. The road maintenance division under the Construction & Property Development segment recorded lower revenue and pre-tax profit of RM37.2 million and RM8.9 million respectively.

The Division has been involved in maintaining state roads in Sri Aman and Betong for ten years beginning in 2020. The Division generated most of QCHB's pre-tax profit in FY2023.

- a) What is the upside for this Division i.e., more road maintenance works or further length of roads to be maintained by QCHB? How does QCHB plan to succeed in a competitive market to secure profitable road maintenance works from the State Government?

Our group has a ten years concession starting from year 2020. Our road maintenance works contract operates on a territorial basis. The areas that we are awarded to maintain are the Sri Aman division and Betong division. The road length are only will be increase if there are further new roads that are fall under these concession areas and our Company will be able to maintain these roads. We do not foresee there will be any new road added to our concession areas in the near future.

- b) The Management mentioned at the previous AGM that QCHB was in talks with the State Government to revise the rate for road maintenance works to pass on the impact of inflationary pressure.

What is the progress in the discussion with the State Government? Has there been a revision in rates of maintenance since then? If yes, what is the quantum of rate revision?

A rate revision of 7% was agreed by the State Government in 2023. The revision will be reflected in 2023.

4. The Company mentioned its pursuit of business and operational diversification and increased technological adoption, especially its digital capabilities to better meet future challenges.

Please elaborate on the business diversification and enhancement of digital capabilities undertaken by QCHB in FY2023.

As mentioned above while our Group's revenue is mainly generated from our construction activity we also wanted to improve the performance of manufacturing segment which has suffer some setbacks due to the overall market conditions and inflated costs. One of areas we are looking at is the adoption of automation for our ready-mixed concrete pile division to improve the efficiency and also reduce the reliance of skilled workers and overcome the labour shortage and retention issues that faced by many industries at the moment. Presently, the Group is also looking at way to digitalise the inventory system to ensure the inventory movement is properly reflected to avoid any unnecessary wastage and mishandling.

5. On R&D, the Group is exploring the possibility of using industrial by-product or waste in its products to reduce environmental pollution. It also worked with a local university to develop new materials that are more sustainable and environmentally friendly.

Is there any product that is ripe for commercialisation? What is the market potential for these products?

R&D of products involves lengthy time of study to ensure the potential products are fit for its purpose and commercially viable. We have worked with the local institution and they are now coming out with few solution, however all these have the viability and also cost efficient. The collaboration are at its primary stage and by far there are no products identified as viable for commercialization yet.

Corporate Governance Matters

1. Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish a summary of the key matters discussed (KMD) at the AGM onto the Company's website soon after the conclusion of the general meeting.

The failure to publish a summary of KMD of AGM on corporate website is a breach of listing requirements.

As 26 June 2023, the summaries of KMD at QCHB's AGM held in 2022 for FY2022 was not available on the Company's website – <https://www.qchb.com.my/investor-relations/meeting/>

The management apologizes for the technical glitch on our company's website which rendered the KMD inaccessible. We have since rectified the matter.

The Minority Shareholder Watch Group has raised further questions during the 27th AGM and the management responses are presented as below.

1) Question:

On the R&D parts, any other example of products that currently being developed?

We are working with local university to develop new materials to be used for our products. We hope that, the new materials may be put in use in a few years time.

We are also in collaboration with a local utility company to turn their industrial waste into materials to be used in our building products. At present, the utility company had to incur cost to dispose off those waste. However, we are still study to the feasibility of the proposed venture involve in term of logistic and costs of production.

2) Question:

On the financial statement, the inventory write off and the provision for the obsolete stock. Which division and which area does this involve?

This is mainly related to our HDPE pipes, some of these pipes are actually in the stockyard for the past few years. Technically, the pipes can still be used, but for prudent purpose and based on the advice from the external auditor, the management decided to effect the provision in this financial year.

Is there a recoverability on it?

It is very hard to determine the recoverability of the pipes, but maybe we can sell probably a 40% or 50% discount.

So I would like to confirm all inventory write off and the provision for obsolete stock, both are related to the piping?

Yes

3) Question:

Lastly, is on the long term, as Bursa is also plan to improve the sustainability disclosure like industrial waste and the strategic planning among the PLC in Year 2025 onwards. What's the planning for Quality Concrete Holdings Berhad on this matter?

The management is aware of the industrial waste and environmental issue, most of our Group's operation activities do not generate significant industrial waste. However, we have taken action to slowly replacing our old plants and mixer trucks with newer unit in order to cut down on pollutions such as dust and noise.

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 27th 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 27th AGM closed at 11:15 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 11:25 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 11:25 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 Paul Chiam Tau Keen who is retire by rotation in accordance with Clause 119 of the Company's Constitution and being eligible, has offered himself for re-election.	17,774,900	100.0	0	0.0	17,774,900	100.0
Resolution 2	To re-elect Ms. Lynda Chong Hui Lyn who is due to retire by rotation in accordance with Clause 119 of the Company's Constitution and being eligible, has offered herself for re-election.	17,774,900	100.0	0	0.0	17,774,900	100.0
Resolution 3	To approve Directors fees of RM72,000.00 and meeting allowance of RM36,000.00 in respect of the financial year ended 31 January 2024.	17,774,900	100.0	0	0.0	17,774,900	100.0

Resolution 4	To appoint Messrs. KPMG PLT as Auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young PLT, and to hold office until the conclusion of the next AGM and to authorize the Directors to determine their remuneration.	17,774,900	100.0	0	0.0	17,774,900	100.0
Resolution 5	Authority to issue shares pursuant to Section 75 and 76 of the Companies Act 2016 (the Act) and waiver of pre-emptive rights.	17,774,900	100.0	0	0.0	17,774,900	100.0
Resolution 6	Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transaction Of A Revenue Or Trading Nature.	7,491,400	100.0	0	0.0	7,491,400	100.0

After the Secretary read out the result of the Poll, the Chairman hereby declared Resolution 1 to Resolution 6 were duly passed at the 27th AGM.

There being no other business, the 27th AGM of the Company ended at 11:35 am, and the Chairman thanked all present for their attendance.

CONFIRMED BY :



CHAIRMAN