MALAKOFF CORPORATION BERHAD
(Company No. 731568-V)

MINUTES OF EXTRAORDINARY GENERAL MEETING ("EGM") OF MALAKOFF CORPORATION BERHAD ("MCB" OR "COMPANY") HELD AT MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR ON TUESDAY, 2 OCTOBER 2018 AT 10.30 A.M.

PRESENT

1	Datuk Haji Hasni Harun ("Chairman")	*(Independent Non-Executive Chairman)*
2	Dato' Sri Che Khalib Mohamad Noh	*(Non-Independent Non-Executive Director)*
3	Puan Cindy Tan Ler Chin	*(Non-Independent Non-Executive Director)*
4	Datuk Ooi Teik Huat	*(Non-Independent Non-Executive Director)*
5	Datuk Idris Abdullah	*(Independent Non-Executive Director)*
6	Datuk Dr. Syed Muhamad Syed Abdul Kadir	*(Independent Non-Executive Director)*
7	Datuk Wan Kamaruzaman Wan Ahmad	*(Non-Independent Non-Executive Director)*
8	Datuk Rozimi Remeli	*(Independent Non-Executive Director)*
9	Cik Sharifah Sofia Syed Mokhtar Shah	*(Non-Independent Non-Executive Director)*
10	Dato' Ahmad Fuaad Mohd Kenali	*(Chief Executive Officer)*

IN ATTENDANCE

Ms. Yeoh Soo Mei (Company Secretaries)
Cik Sharifah Ashtura Jamalullail Syed Osman

SHAREHOLDERS PRESENT

As per the attendance list (Total: 679 representing 904,932,823 Ordinary shares ("Malakoff Shares")

PROXIES PRESENT

As per the attendance list (Total: 602 representing 2,245,539,562 Malakoff Shares of which 202,642,396 Malakoff Shares represented by Chairman)

INVITEES PRESENT

As per attached Attendance List.

AUDITORS PRESENT

KPMG PLT

ADVISERS PRESENT

CIMB Investment Bank Berhad (Principal Adviser)
Albar & Partners (Legal Adviser)
Affin Hwang Investment Bank Berhad (Independent Adviser)
Deloitte Corporate Advisory Services Sdn Bhd (Independent Valuer)
KPMG Deal Advisory Sdn Bhd (Financial Advisor)

POLLING AGENT PRESENT

Symphony Share Registrars Sdn Bhd

SCRUTINEER PRESENT

Symphony Corporatehouse Sdn Bhd

PROCEEDINGS OF MEETING

1. CHAIRMAN

YBhg. Datuk Haji Hasni Harun chaired the EGM of the Company.

2. PRELIMINARY

Before the commencement of the meeting, a safety briefing was conducted by Hotel Istana's representative, followed by the recital of prayers and singing of the National Anthem.

The Chairman welcomed all shareholders and proxies who attended the EGM, the Board of Directors ("**Board**"), members of MCB's senior management team and invited guests.

3. QUORUM

Upon the request of the Chairman, the Secretary confirmed the presence of a quorum.

The Chairman then introduced each and every member of the Board as well as the senior management and advisors who were in attendance.

The Chairman highlighted that the EGM had been convened for the sole purpose of approving the proposed acquisition of 97.37% equity interest in Alam Flora Sdn Bhd and the resultant diversification of Malakoff Group's existing principal activities ("Proposal"). Therefore, the shareholders were encouraged to limit questions to the Proposal in order to ensure that due focus and time of the meeting were given to the subject matter at hand.

4. PRESENTATION BY CHIEF EXECUTIVE OFFICER ("CEO")

The Chairman then invited Dato' Ahmad Fuaad Mohd Kenali, the CEO of MCB, to give a brief presentation on the Proposal to provide the shareholders with a better understanding of the Proposed Acquisition and the Proposed Diversification (as defined hereafter) and responses to Minority Shareholder Watchdog Group's questions posed to the Company vide its letter dated 25 September 2018.

("Proposed Acquisition" and "Proposed Diversification" are collectively referred to as " Proposal").

His presentation covered the following areas:

- The Malakoff Story - Our Evolution through the Year
- Situational Analysis - Challenging Yeas Ahead
- Global Developments in the Utility Sector
- Expansion into Waste Management & Environmental Services
- Proposed Acquisition of Alam Flora Sdn Bhd
  - The Deal at a Glance
  - Post-Acquisition Structure
  - Valuation Summary
  - Adjustment Provisions
  - Investment Highlights – Why Alam Flora
  - Strategic Rationale - How will this Acquisition Benefit Malakoff?
  - Future Plans through the Acquisition of Alam Flora

A copy of presentation given by the CEO was attached hereto as **Appendix 1.**

5. RESPONSES TO MINORITY SHAREHOLDER WATCHDOG GROUP'S ("MSWG") QUERIES IN ITS LETTER DATED 25 SEPTEMBER 2018 (READ OUT BY THE CEO)

After his presentation, Dato' Ahmad Fuaad, the CEO of MCB, informed the meeting that MSWG had through its letter dated 25 September 2018 raised several questions to the Company on the Proposal and that the Company had accordingly responded to the questions prior to the meeting. He then briefed the meeting on the questions and the Company's response to the said questions.

A copy of the said MSWG's letter together with MCB's written reply are attached hereto as **Appendix 2**.

The Chairman thanked the CEO of MCB for his presentation and proceeded to the next agenda of the meeting.

The Chairman highlighted to the shareholder that the Proposed Acquisition was a related party transaction, as certain directors and major shareholders of the Company were deemed interested in the Proposal. The details of their interests were disclosed in Section 8 of the Circular dated 14 September 2018. These Interested Directors, Interested Major Shareholders and the persons connected to them, would abstain from deliberation and voting in respect of their direct and indirect shareholdings in the Company.

In view of the above, the Company had appointed an Independent Adviser, Affin Hwang Investment Bank Berhad, to advise the Company's non-interested Directors and non-interested shareholders on the Proposed Acquisition. The Independent Advisor's Letter from Affin Hwang Investment Bank Berhad in relation to the Proposal had been set out in the Circular despatched to all shareholders.

In order to facilitate the determination of fair value of the Proposed Acquisition, an Independent Valuer, Deloitte Corporate Advisory Services Sdn Bhd, had been jointly appointed by Malakoff and DRB-HICOM Berhad.

6. PRESENTATION BY INDEPENDENT VALUER, DELOITTE CORPORATE ADVISORY SERVICES SDN BHD ("DELOITTE")

The Chairman invited Mr. Leonard Woo, the Partner of Deloitte Corporate Advisory, to present the Valuation Letter for the Proposal, being the Company's Independent Valuer for the determination of fair value of the Proposed Acquisition.

A copy of the presentation slides by Deloitte was attached hereto as **Appendix 3**.

7. PRESENTATION BY INDEPENDENT ADVISOR, AFFIN HWANG INVESTMENT BANK BERHAD (“AFFIN HWANG”)

After the presentation by Deloitte, the Chairman invited Encik Johan Hashim, Chief Executive Officer, Affin Hwang, the Company’s Independent Advisor to present the Independent Advisor Letter for the Proposal.

A copy of the presentation slides by Affin Hwang was attached hereto as **Appendix 4**.

8. NOTICE CONVENING THE MEETING

After the presentation by Affin Hwang, The Chairman then proceeded with the notice convening the meeting circulated together with the Circular to Shareholders on 14 September 2018 (“**Circular**”) which was taken as read.

The shareholders, proxies and corporate representatives were requested to introduce themselves and provide their relevant details when coming forward to ask questions as well as when proposing a motion or resolution.

The Chairman informed that in accordance with the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Company’s Constitution, all motions to be tabled that day would be voted by way of poll. Symphony Share Registrar Sdn Bhd had been appointed as the Polling Administrator whilst Symphony Corporatehouse Sdn Bhd had been appointed as the Scrutineer.

The Chairman further informed that the polling process for the Resolutions would be conducted at the end of the deliberation of all resolutions to be decided at the EGM. The Chairman also placed on record that several shareholders had appointed him as their proxy and he would vote according to their instructions.

9. <u>AGENDA 1 – ORDINARY RESOLUTION</u>

PROPOSED ACQUISITION OF 97.37% EQUITY INTEREST IN ALAM FLORA SDN BHD (“PROPOSED ACQUISITION”) AND RESULTANT DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF MALAKOFF CORPORATION BERHAD AND ITS SUBSIDIARIES (“PROPOSED DIVERSIFICATION”)

The following Ordinary Resolution on the Proposed Acquisition and Proposed Diversification at the meeting was proposed by Madam Loke Swan Yen and seconded by Mr. Ikmalul Amani bin Abdul Aziz:-

“Proposed Acquisition of 97.37% Equity Interest in Alam Flora Sdn Bhd (“Proposed Acquisition”) and Resultant Diversification of the Existing Principal Activities of Malakoff Corporation Berhad and Its Subsidiaries (“Proposed Diversification”).”

The Chairman then opened the floor for questions. The key questions raised by the shareholders and proxies in relation to this agenda were addressed by the Board and Management as listed in **Appendix 5** attached hereto.

As there were no further questions from the floor, the Chairman invited the representative of the Polling Administrator to brief the shareholders and proxies on the voting process via e-polling.

After the briefing by the Polling Administrator, the Chairman announced that the Company Secretary had informed him that the registration of shareholders and proxies for the voting of the resolutions tabled at the meeting was closed for the counting of votes. He then requested shareholders and proxies to proceed to the polling stations located at the end of the ballroom for the casting of their vote via e-polling. He also announced that the meeting would be adjourned for about 30 minutes for the poll count to be carried out. He requested shareholders and proxies to remain in the ballroom until the result of the poll was announced.

10. ANNOUNCEMENT OF RESULTS

The Chairman announced the poll result in respect of the Ordinary Resolution 1 which was carried as follows:

Poll Results	**Number of Holdings**	**%**
For	2,135,116,092	96.8017
Against	70,544,130	3.1983

11. TERMINATION

There being no further business, the meeting was declared closed at 2.35 pm.

Confirmed as a correct record,

Signed

…………………………
CHAIRMAN

Appendix 2

MALAKOFF
A Member of MMC Group

EXTRAORDINARY GENERAL MEETING (EGM)
PROPOSED ACQUISITION OF 97.37% EQUITY INTEREST IN ALAM FLORA SDN BHD

RESPONSES TO QUESTIONS BY MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG)

2 October 2018

energy & utilities

CONFIDENTIAL

Question 1

What is the payback period on the Proposed Acquisition of Alam Flora Group?

The payback period for the proposed acquisition is 8-10 years. It is worth noting that the DCF method was used as the primary approach in the valuation methodology given that Alam Flora is a concession-based company, which would be more suitable for deterministic conditions under which income is relatively stable.

Question 2

We note that under the Concession Agreement, the Agreed Fees shall be subject to review by the government at the 7th anniversary (September 2018) and Alam Flora is currently in the process of negotiating the new Agreed Fees.

Has the new Agreed Fees been agreed? If not, what is the status of the negotiation ?

Negotiations are still on-going with the Government. Under the Concession Agreement, the tariff rates are referenced to various cost indices, including inflation. It is prudent to expect annual cost escalations to the extent that Alam Flora's businesses remain viable and as such, Alam Flora should be reasonably compensated for carrying out waste collection and public cleansing management services efficiently.

Question 3

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As stated on page 28 of the Circular, Alam Flora Group was granted tax exemption on its statutory business income by the Ministry of Finance. However, we note that proforma profit attributable to the owners of Malakoff was calculated based on the net profit attributable to 97.37% equity interest in Alam Flora in FYE 31 March 2018 of RM96.8 million was adjusted to take into account the corporate income tax rate of 24%.

Please clarify whether Alam Flora Group will continue to enjoy the tax exemption on its statutory business income going forward?

Alam Flora Group claimed a 100% tax exemption on statutory business income under Section 127(3A) of the Income Tax Act 1967 of Malaysia for FYE 31 March 2018, a Tax Incentive which is available annually to companies within the DRB-HICOM Group, subject to the approval of the Ministry of Finance Malaysia. Upon completion of the Proposed Acquisition, the Tax Incentive would no longer be available to Alam Flora Group and accordingly, Alam Flora Group will be subject to the prevailing rate of corporate tax currently at 24% on statutory income.

Appendix 5

MALAKOFF CORPORATION BERHAD ("MCB" OR "THE COMPANY")
EXTRAORDINARY GENERAL MEETING ("EGM") HELD ON 2 OCTOBER 2018

SUMMARY OF KEY MATTERS DISCUSSED AT THE EGM

	Key Matters Discussed	Response from the Directors/Management
	AGENDA 1	
	PROPOSED ACQUISITION OF 97.37% EQUITY INTEREST IN ALAM FLORA SDN BHD ("PROPOSED ACQUISITION") AND RESULTANT DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF MALAKOFF CORPORATION BERHAD AND ITS SUBSIDIARIES ("PROPOSED DIVERSIFICATION")	
1.	Loke Swan Yen – Shareholder (a) To clarify whether MCB had the required funding for the Proposed Acquisition given that the purchase consideration was for RM944 million.	 The Chairman replied that MCB had the required funding to pay the purchase consideration of RM944 million given its cash position of approximately RM5 billion.

	Key Matters Discussed	Response from the Directors/Management
2.	<u>Bhupinder Singh - Shareholder</u> (a) She commented that the sharp drop in MCB's share price after the announcement of the Proposed Acquisition by 8% (from RM1.04 to RM0.955) compared to an increase in DRB-HICOM Berhad ("**DRB-HICOM**")'s share price by 8% was a clear indicator that the Proposed Acquisition was not a favourable transaction for MCB and would not be a win-win situation for MCB. The share price would have fallen more, if not for the Share Buy Back exercise embarked by the Company. With the share performance of MCB, it was now a penny stock. She questioned whether the Proposed Acquisition, which was also a related party transaction ("**RPT**"), was perceived by market as not a win-win transaction for MCB as it would not be for the best interest of MCB. She personally objected this resolution.	The Chairman acknowledged that the market had reacted negatively after the Proposed Acquisition was announced as MCB's share price shed 8%, contrary to the surge of DRB-HICOM's share price. It was normal for market to react negatively to transactions which were regarded as RPT. The other reason for the decline was due to profit-taking activities by investors who sold their positions to cash-in on the price increase to RM1.04 in the previous day (before the announcement on the Proposed Acquisition). In addition, market uncertainties and macro-fundamentals have resulted in the share price being stagnant – this was an issue being faced by the market as a whole.
	(b) As for the Proposed Diversification, she sought explanation on the need for MCB to acquire the entire business of Alam Flora Sdn Bhd ("**Alam Flora**" or "**AFSB**") instead of buying only the waste from Alam Flora for its renewable energy pursuit of waste to energy. The Proposed Acquisition would translate into higher	On the proposed diversification, the business of Alam Flora was also a concession business, similar to MCB. Alam Flora was one of the three concessionaires in Malaysia which have exclusive rights to provide solid waste collection and public cleansing management services in the country up to the end of September 2033. The three areas currently serviced by Alam Flora were Pahang, Putrajaya and the Federal Territories of Kuala Lumpur and potentially, two states in the East Coast of Malaysia namely, Kelantan and Terengganu.

	Key Matters Discussed	Response from the Directors/Management
	gearing for MCB due to the high price consideration paid to DRB-HICOM, which would accordingly increase the finance cost of the Group.	The proposed diversification was also part of MCB's business expansion into renewable energy which the Government was encouraging. The Company had valued the existing concession business of Alam Flora to be as low as RM500 million. The Proposed Acquisition would benefit existing shareholders and provide additional profitability to the Group which would in turn translate to higher dividends for MCB's shareholders.
	(c) The proposed diversification was not aligned to the core business of MCB as well as Malakoff Berhad ("**MB**"), its predecessor before it was taken private by MMC Corporation Berhad ("**MMC**"). Since the listing of MCB by MMC at the IPO price of RM1.80 in the year 2015, MCB's ranking in the Top 100 Malaysian companies in terms of market capitalization had slipped down due to the poor performance of its share price. The lack lustre performance of MCB today paled very much in comparison to the sterling performance of MB under the management led by En. Ahmad Jauhari Yahya. She requested the Board to explain whether MMC which had extracted most of MCB's value before re-listing it in 2015, had assisted the MCB Group to maintain better performance after it was listed.	The CEO explained that from Management's perspective, the diversification was triggered by a technical definition by Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"). He explained that the audited net profit of Alam Flora in the previous year of RM100 million compared to the MCB Group's net profit of RM310 million, had breached the relevant 25% percentage ratio of Paragraph 10.13(1) under the Main Market Listing Requirements of Bursa Malaysia and hence the Proposed Acquisition was deemed to be a diversification of MCB Group's core business. In response to her comment on the significantly better performance of MB compared to MCB today, the CEO attributed this to the prevailing circumstances of the market and industry at the time of MB, where the returns of the first generation PPA such as, Segari Energy Ventures ("**SEV**") was at a lucrative 15%. As the industry matured over the years and market began to be more efficient, the Government of Malaysia was now only willing to consider tenders for power projects at a return of no more than 6%. MCB's profitability had so far been sustained by the Tanjung Bin Power ("**TBP**") and Tanjung Bin Energy ("**TBE**") power plants. The view taken on MMC was an unfair one, from his perspective, as MMC had in many ways created value for MCB Group to grow by finding new opportunities for MCB Group. In view of global trends, coupled with the development of the power industry in Malaysia today, the Board of MCB was compelled to change the Company's business model through synergistic expansion via the Proposed Acquisition. The Board of MCB had viewed the business of the Alam Flora Group to have great potentials

	Key Matters Discussed	Response from the Directors/Management
		especially its non-concession business undertaken by its wholly-owned subsidiary, DRB-HICOM Environmental Services Sdn Bhd ("**DHES**"). The business of DHES could be expanded by penetrating new business segments such as managing hazardous and industrial waste. The market players in these segments for now were only few. Comparatively, the profit margin derived from Alam Flora Group was better than the returns expected at 6% from the power projects, going forward. Apart from the Proposed Acquisition, the Company had embarked on various expansion plans into renewable energy to increase the revenue streams for the MCB Group. MCB's aim was to grow for expansion and not diversification.
3.	<u>Chee Sai Mun – Proxy</u> (a) As the largest IPP with an effective generation capacity of approximately 6,000MW, MCB should be the leader of its peers in terms of return on equity ("**ROE**"). To explain the reason for the poor ROE performance of the MCB Group.	 The CEO explained that although MCB was the market leader in Malaysia in terms of effective generation capacity, many of the power plants in the Group's stable were reaching expiry of their concessions. SEV's concession, the first power plant of MCB, albeit renewed, provided very low returns to MCB, due to the lower tariff under its extended concession. TBP and TBE power plants were the main contributors to MCB Group's profitability.
	(b) Would the proposed acquisition of Alam Flora, which was a diversification of MCB's core business, distract MCB from improving its earnings and focus on its Independent Power Producer ("**IPP**") business. Management should focus more on the existing businesses rather than diverting to other business which might not be to its best interest and could further jeorpadise MCB's future earnings.	On the comment that MCB would be distracted from its core business, where the Proposed Acquisition would act as a deterrence to MCB for improving its investment returns as an IPP, the CEO reasoned that, going forward as power projects would be awarded based on open and competitive bidding, a lower internal rate of returns of only around 8% was expected for such bids. The high returns generated from power projects in Malaysia, was something of the past. Management had not lacked effort in looking for new power projects but was unable to secure any attractive projects, locally.

	Key Matters Discussed	Response from the Directors/Management
	Growth is not an issue since MCB still has a lot of assets. To explain why MCB still keeps losing the money.	Given the change in the power industry landscape, the CEO informed that it was timely that MCB changed its approach and find new areas of growth, such as renewable energy. This would increase MCB's profitability and generate higher returns for the benefit of shareholders. For the past five years, the mode of direct awards of power projects by the Government was not beneficial to MCB, hence it was difficult for MCB to secure new power projects.
	(c) Can MCB try to bring down the operational cost so that better returns and ROE could be generated?.	Drawing example from the SEV plant which concession was renewed, albeit at a lower tariff, the plant was still required to incur the same cost of maintenance to ensure full availability of the plant for dispatch to secure energy payments. The Proposed Acquisition was one of the many strategies adopted by the Company to secure new growth to cushion this. The management of MCB had also implemented an ongoing cost management across the organisation.
	(d) ***On page 100, Item 10 – Key Financial Information and Page 101 – Commentary*** If Alam Flora was profitable, why did it record a loss after tax of RM4.4 million for the FPE 30 June 2018 which was attributed by the increase in operational cost. Would this loss-making trend continue?	 The loss recorded by Alam Flora for the FPE 30 June 2018, was due to the increase in operating cost and administrative cost, i.e. a one-off corporate contribution and higher income tax expense because of lower exempt income during the financial period. Going forward, the profit was expected to increase with the reduction of the operational cost whilst the administration cost was expected to maintain at the same levels as in previous years.
	(e) Why is there a 2-year guarantee by DRB-HICOM? Isn't the tariff confirmed to increase? The Company must ensure this arrangement is allowed under the Concession Agreement ("**CA**") so that it would be fair term to the shareholders of MCB and not be detrimental to them.	The CEO replied that the revision in tariff was not guaranteed. Therefore, as an additional buffer, DRB-HICOM had agreed to provide MCB with a 2-year profit guarantee subject to certain parameters as provided in the Shares Sales Agreement entered with DRB-HICOM for the Proposed Acquisition ("**SSA**"), should there be an unlikely event of a reduction in tariff, to compensate MCB. Under the CA, the tariff revision was calculated based on certain formulae referenced to various cost indices,

	Key Matters Discussed	**Response from the Directors/Management**
		including inflation. However, it was the Government's sole discretion to decide on the new Agreed Fees.
	(f) Deloitte, the Independent Valuer was asked to clarify whether the tariff increase was considered in the valuation?	Mr Leonard Woo from Deloitte explained that the valuation had assumed for a tariff revision as provided in the CA. The revision was however subject to certain conditions. Any increase in tariff would be accompanied with an increase in the fees for the subcontractors appointed by Alam Flora. The Agreed Fees in the CA or tariff were subject to review on the 7th and 14th anniversary of the Concession Period where the Agreed Fees might be increased or decreased pursuant to these reviews. One of the factors in the formulae in the CA for the increase in tariff was the inflation index. Deloitte had projected tariff rates to increase by about 26.8% on 1 September 2019 and about 23.0% on 1 September 2026 (translating to an annualised tariff growth rate of around 3.0% p.a.). Mr. Leonard Woo informed that Deloitte had opined that the assumption made was reasonable given that the projected annualised tariff growth rate of approximately 3.0% p.a was within the range of Malaysian annual average 10-year inflation rate of 2.4% p.a from 2007 to 2016 of between 0.6% and 5.4% with an average of 2% p.a. To cater for the possibility that the Agreed Fees or tariff would not be increased, the valuation had also considered a lower net cashflow as it was assumned that the subcontractors' fees would be increased in tandem with a tariff increase.
	(g) Deloitte was also asked also to explain on the worst-case scenario valuation if the increase in tariff assumptions did not materialise.	Mr. Leonard Woo informed that Deloitte had carried out a sensitivity analysis on the impact if the tariff revision did not meet the projected increase factored in the valuation. Should the tariff be lower by 25% from the projected tariff increase with the increase in CAPEX, (i.e CAPEX was spent fully), the purchase consideration would still fall within the valuation range from between RM850 million and RM1,000 million.

	Key Matters Discussed	Response from the Directors/Management
		Even if the tariff was 50% of the projected increase in the tariff (that is, at an average of 1% p.a increase over a period of 7 years) and the CAPEX increased by 10%, the price consideration of RM944 million was still within valuation range of RM837 million to RM985 million. However, the purchase consideration would be at the higher end of the valuation range. Mr. Leonard Woo further informed that at reduced CAPEX by 10%, Alam Flora would still be able to effectively maintain its current service level and fulfil its obligations under the CA. The CEO added that the shareholders should take comfort that there were enough levers in Alam Flora to cushion the risk of the tariff increase not materialising as projected in the valuation. Moreover, MCB's position was mitigated with the inclusion of the following provisions in the SSA:- (i) **Within the 6 months fulfilment of CPs of the Proposed Acquisition before Completion -** Any tariff reduction would be regarded as having a "Material Adverse Effect" (as defined in Section 2.1.4(v) of the Circular) and, therefore, the parties may agree on the revised Purchase Consideration provided that any downwards revision to the Purchase Consideration does not exceed RM92.4 million. If the Parties were unable to agree on the revised Purchase Consideration (as set out in Section 2.1.4(v)), the SSA shall terminate; and (i) **Within 24 months after Completion**. Tunas Pancar Sdn Bhd ("**TPSB**"), a wholly-owned subsidiary of MCB, undertaking the Proposed Acquisition, would be compensated up to RM140 million, being the maximum cumulative PBT shortfall of Alam Flora for the 24 months (pursuant to the terms and subject to the conditions set out in Section 2.1.4(vii) of the Circular) which includes reduction of the existing fee or tariff

	Key Matters Discussed	Response from the Directors/Management
		If there was a tariff reduction, Deloitte would be carrying out a revaluation of Alam Flora factoring in the new reduced tariff rates for the remaining years of its concession and the impact to the valuation and ultimately the purchase consideration. Notwithstanding the above, the new Agreed Fees following the negotiations with the Government was expected to be at least the same if not higher than the existing Agreed Fees. Moreover, the UKAS approval was a condition precedent to the Proposed Acquisition and it was hoped that its decision on the Proposed Acquisition would be decided together with the tariff adjustment. Mr Leonard Woo added that apart from the above mitigation factors, the valuation had also assumed the full effects arising from both tariff revisions which would respectively take effect 1 year later from the original provisional year (i.e. on 1 September 2019 and 1 September 2026). If there was no increase in tariff, MCB would try its best to maintain the same profit by adjusting the operational cost i.e. contractor costs.
	(h) Will the Government compensate Alam Flora if there was a reduction in tariff since there was a remaining 15 years in its concession ?	The CA had stipulated that the Government had the sole discretion to decide on the new Agreed Fees. The risk of no increase in tariff had been mitigated in the SSA and in the valuation as explained above.
4.	<u>Ng Shu Tsung – Shareholder</u> (a) ***On page 14, Section 2.2 Paragraph 3 (Proposed diversification)*** It was stated that the absence of historical track record in the business of Alam Flora would be mitigated with track record of the CEO who served as a board member of	 Alam Flora is one of three concessionaires in Malaysia awarded with exclusive rights to provide solid waste collection and public cleansing management services in the country until September 2033. Alam Flora is a well-managed waste management company with a good track record of 15 years. The CEO explained that he was

	Key Matters Discussed	Response from the Directors/Management
	Alam Flora from 2013 to 2016. He queried on the validity of the justification made in the Circular as the CEO was only a former director and would not have been involved in the daily operations of Alam Flora. His main concern was on the diversification into a business in which MCB do not have any experience and expertise.	serving DRB-HICOM when he was appointed as a director of Alam Flora from 2013 to 2016. From his past working experience in Alam Flora, he was confident that DRB-HICOM could work together with MCB to realise the synergistic benefits for better growth going forward. Though the Proposed Acquisition would cost MCB, RM1 billion, it was not material, in comparison with the total asset of the Group of RM30 billion. The above ratio further supports Management's view that the Proposed Acquisition was only a technical diversification triggered by the Main Marker Listing Requirement of Bursa Malaysia. From the Company's perspective, the Proposed Acquisition was as an expansion of MCB Group's core business of generating electricity (Waste-to-Energy ("**WTE**") Business) which would benefit shareholders and pave the opportunity for MCB to leverage on the expertise of Alam Flora.
	(b) He also queried whether the Proposed Acquisition was a risk worth taking given the uncertainty in the increase of Agreed Fees as highlighted in page 22, item 5.2 on the "Agreed Fees Review, coupled with the new elected Government's stance of cost reduction/savings?	The SSA had provided for several mechanisms and events to allow adjustment to the Purchase Consideration for the Proposed Acquisition, which included amongst others, unfavourable revision to the Agreed Fess of Alam Flora. The Board believed that with the new Government's aspiration to be people centric government, one of its priorities would be to provide proper waste and public cleansing management services for the nation. Therefore, the Company was encouraged with Alam Flora's prospects and was optimistic that the business would continue to receive support from the new Government. The prospects of expansion of Kelantan and Terengganu were also viewed positively.
	(c) ***On page 27, Section 6.3 (NA and Fearing)*** To comment on the gearing ratio of the Group which was considered high even for a concession business.	 The CEO informed that although the Group's gearing ratio was considered high, but these borrowings had related to its power generating subsidiaries and was taken on a non-recourse basis to MCB as the liability of the financing were ring-fenced to these

	Key Matters Discussed	Response from the Directors/Management
		subsidiaries. Management was still considering the best financing structure to be taken for the Proposed Acquisition. MCB has the flexibility to fund the Proposed Acquisition via bank borrowings and internally generated funds.
	(f) ***On page 28 – Note 5 of Section 6.4 (Earnings and EPS)*** It was stated in this page that should the Company decide to fund up to 60% of the purchase consideration by way of borrowings, the interest would be 5.4% per annum resulting in the drop in the earnings per shares ("**EPS**") of the Company from 6.79 sen to 6.18 sen. How then would the Proposed Acquisition be value accretive to shareholders.	The financing for the Proposed Acquisition would be structured in the most optimal debt to equity ratio to ensure that the cost of borrowing was lower than the rate of returns on its investment in the Proposed Acquisition. The Company would, to its best effort increase the Company's EPS by growing its business from the Proposed Acquisition. This would hopefully translate into to an increase in share price.
	(g) ***On page 44– Section 6.1 (Rationale and Benefits of the Proposal) of the IAL) Note ii (Potential for additional and recurrent streams of revenue to sustain Malakoff's long-term growth)*** The graph under this section shows MCB's declining PAT margin of MCB for 3 financial years performance since its listing in 2015. The analyst had valued MCB's shares at RM1.20 only which was lower than IPO	The CEO responded that under the previous Government, many of the power projects were not tendered out but were directly awarded to other power players and not MCB. Given this circumstance, the Company would need to expand and grow its business in order to boost its share price. One such growth strategy identified by the Company was the Proposed Acquisition.

	Key Matters Discussed	Response from the Directors/Management
	price of RM1.80. To explain what actions had the Company taken to improve the share price.	
	(h) ***On page 127– Section 3.1 (Movement intangible asset- Proforma Consolidated Statements of the Financial Position of Malakoff as at 31 December 2017)*** To explain on the effects of the intangible assets of RM686 million arising from the Proposed Acquisition to MCB's profitability, if Alam Flora did not meet performance targets, post-Acquisition?	From an accounting perspective, the intangible assets of RM686 million had arisen from the difference between the value of the asset paid by MCB for the acquisition of the Alam Flora Group and the carrying values of the net assets of the Alam Flora Group. This was a standard accounting treatment for the acquisition of a concession business. The intangible assets would be amortised on a straight-line basis notwithstanding Alam Flora's performance. The revenue of Alam Flora was secured as it had a concession business. The main bulk of its cost was subcontractors' fees and if this could be efficient, Alam Flora profitability could be maintained or improved.
5.	<u>Anselm Richter - Shareholder</u> (a) Other than in Putrajaya and Kuala Lumpur, why didn't Alam Flora try to secure the concession in Selangor? The areas of Putrajaya and Kuala Lumpur were smaller compared to Selangor. There was a possibility for MCB to have a concession in Selangor since the political party that administered Selangor was also now the new government of Malaysia.	The areas of Putrajaya and Kuala Lumpur had higher density of population although they are smaller compared to Selangor. If compared to Pahang which had a bigger land area, its population was relatively lower. Given the higher population of Putrajaya and Kuala Lumpur, the cost of operations in these States were more manageable. The concession of Alam Flora would expire in 2033 and over the time, urbanisation was expected to increase by 70%. As for the concession in Selangor, Alam Flora used to serve Selangor but due to the change of State Government, it was terminated, and the concession of waste

	Key Matters Discussed	Response from the Directors/Management
		management was awarded to another contractor of their choice. The Selangor Government was now facing issues with their contractor which had not provided a holistic waste management solution to the state compared to those undertaken by Alam Flora. For instance, the initiative taken by Alam Flora in recycling waste was well received by the public. Going forward, the Selangor State Government would be pressured to adopt the same advancement especially since the residents in the state were now more affluent. Leveraging on its track record, Alam Flora had planned to actively engage with the State Government of Selangor to seek an opportunity to play a role in waste management in Selangor, by applying the same initiatives undertaken in other States under its concession.
	He drew comparison between a listed company in France that has a similar type of business with Alam Flora and compared to its price-to-earnings ("**PE**") ratio of 15 times which was better than MCB. He personally viewed that the purchase consideration of Alam Flora to be on a high side since the share price of this type of business was usually not exciting and ranged bound.	It was challenging to find a good waste management contractor which could serve a full range of waste management service. In the past, Alam Flora had provided a one-off service in Kelantan for cleaning clogged drains which had caused flash flood at its villages. As small waste management players were not able to serve certain segments of service in Kelantan, it was Alam Flora's intention to fill in this gap and penetrate into Kelantan to provide full waste management services. To sustain its profitability and dividend policy, MCB had been aggressively finding new areas of growth. With the limited energy generation opportunities locally, one of strategies adopted was to venture into other areas such as renewable energy and to create synergies with other companies. The PE ratio of Alam Flora compared to MCB was 9.3 times which was much better than MCB's 17 times to 20 times and hopefully, MCB could benefit from Alam Flora and would be able to synergise its business in ensuring its rapid growth.

	Key Matters Discussed	Response from the Directors/Management
	(b) To name the contractor that was awarded the concession in Selangor? Are they cheaper? Alam Flora should provide its services to the whole Klang Valley, so it could reduce its cost and increase returns. Through this, Alam Flora could also offer cheaper rates to the Government.	Management informed that it was not aware of the waste management company which was serving Selangor. The Selangor State has been trying to replicate a waste management company similar to Alam Flora to serve the demand of its residents for clean environment and efficient waste management. The current contractor was a small waste management player which was unable to meet the demands of the State as it has limited financial capacity. The growing affluence of the residents of Selangor would pressure the Government to choose services such as Alam Flora which provides efficient waste management, as demonstrated in Putrajaya and Kuala Lumpur, compared to a smaller contractor.
6.	<u>Mr. See Han Chow - Shareholder</u> (a) Does the Company have plans to raise financing of the Proposed Acquisition through a Rights Issue exercise to shareholders for financing?	 At this juncture, the Board has no intention to raise funding of the Proposed Acquisitions via Rights Issue. MCB has the flexibility to fund the Proposed Acquisition via bank borrowings and internally generated funds. Since MCB has cash balances of around RM5 billion, it would therefore, explore the most optimal debt to equity ratio for the funding of the Proposed Acquisition.
	(b) After the acquisition, will the management of Alam Flora will be the same?	Alam Flora would still be managed by the same management team with the support from MCB as its holding company. There was no requirement for management restructuring since the existing management team was performing well and had been achieving their KPIs.
7.	<u>Tan Chin Szu - Shareholder</u> (a) Why diversify as Alam Flora was irrelevant to the core business of the MCB Group. To explain why the Company needs to acquire the whole business instead of only purchasing the waste. Moreover, waste was abundant everywhere.	 The Proposed Acquisition was one of the growth strategies identified by MCB as Alam Flora was also in a concession business, coupled with the synergistic growth it could bring to the Company's energy business. The Proposed Acquisition would ensure that the Company remained competitive. Apart from Alam Flora, the Proposed Acquisition would also include the acquisition of DHES, the non-concession business which has abundant potentials.

	Key Matters Discussed	Response from the Directors/Management
8.	Mr. Ng Kok Kiong - Proxy (a) ***On page 74, Section 6.3 (Salient Terms of the SSA) of the IAL*** To explain was how was Adjustment Limit for any downwards of purchase consideration determined to be not be more than RM92.4 million?	This CEO informed that the term was negotiated on a willing buyer and a willing seller basis.
	(b) ***On page 101, Appendix 1 (Information on Alam Flora)*** For the FPE 30 June 2018, to provide breakdown of the one-off corporate contribution and explain the loss of RM4.4 million recorded by Alam Flora for the FPE 30 June 2018. Will the profit guarantee of RM70 million by DRB-HICOM be effected in view of the losses incurred by Alam Flora?	The loss recorded for the FPE 30 June 2018 was due to the over adjustment of tax payable of RM3.3 million and one-off fee payable to DRB-HICOM for its management fee. The profit guarantee of RM70 million would only be applicable in the event of a downward tariff revision and would be applicable for the next 24 months post completion. DRB-HICOM would not guarantee for any loss that is not due to the tariff reduction.
	(c) ***On page 166 – Note 5 (Cost of Sales) of Alam Flora Audited Financial Statements for FYE 31 March 2018*** It was noted that the revenue of Alam Flora was increasing. However the operating	The increase in operating staff costs was possibly due to the one-off contribution made for the payment of bonus to Alam Flora's employees. The increase of revenue

	Key Matters Discussed	Response from the Directors/Management
	staff costs and contractor costs have also increased , what is the reason?	of the Alam Flora Group might be due to the increase of revenue from DHES that was not related to the concession business which had led to higher manpower cost.
	(d) Without the revenue from the non-concession business, will the profit of Alam Flora reduce significantly?	If the revenue from the non-concession business was taken into account, the revenue of Alam Flora during the FPE 30 June 2018 would reduce by around RM15 million to RM16 million after deduction of tax and zakat. Furthermore, it was normal for Alam Flora to post lower results for its first quarter before it progressively improve in the next three quarters.
	(e) ***On page 168 – Note 5 (Staff Cost) of Alam Flora Audited Financial Statements for FYE 31 March 2018*** To explain the difference of RM40 million between the operating staff cost of RM143.6 million (page 166- Note 5 (Cost Of Sales) and staff costs at the Group level of RM181 million incurred in FY2018 (Page 167- Note 7 (Profit Before Zakat And Taxation).	The staff costs disclosed in Note 7 represent the total staff costs incurred for the Group i.e; operating staff costs and administrative staff costs combined, whereby in the staff costs disclosed in Note 5 were solely for operating staff costs.
	(f) What is the total number of staff of Alam Flora and how much is the manpower cost, administration cost and any cost related to the staff employment?	Alam Flora has a total number of approximately 3,000 staff. MCB did not have the actual figures of these costs.
	(g) What is the impact to Alam Flora, if the Government decided to implement the minimum wages on any of these items i.e. labour cost, remuneration, staff bonus etc.	MCB had carried out a high-level calculation which showed the impact to be estimated at around RM10 million. This impact was considered minimal to Alam Flora. The CEO assured that the minimum wages would be implemented in accordance to the Government's directive.

	Key Matters Discussed	Response from the Directors/Management
	(h) Will the Government allow MCB to acquire the remaining balance of the equity interest which is currently held by the Pahang State Government in Alam Flora?	At this point of time, no indication has been given for the Pahang State Government to divest the balance of its equity interest in Alam Flora to MCB. Although it would be a good idea for MCB to hold the entire equity interest, MCB's focus for now was to garner support from the Government for MCB to develop the WTE power plant within the vicinity of the landfill managed by Alam Flora.
8.	<u>Ho Yueh Weng– Shareholder</u> (a) How much is the cost of this corporate exercise?	 As stated in page 28 of the Circular, the corporate exercise cost about RM5.7 million with the bulk of it being stamp duty cost.
	(b) What is the current number of employment in Alam Flora?	The Alam Flora Group has around 3,000 staff.
	(c) Which was the party that initiated this transaction? DRB-HICOM or MCB?	The CEO informed that during his employment with Proton, he had envisioned the synergistic benefit that MCB would have in expanding its power business into waste-to-energy by tapping into Alam Flora's waste management services business. He had previously approached DRB-HICOM on this business synergy but DRB-HICOM was not keen at that time. However, after the recent rationalisation exercise by DRB-HICOM, it had approached MCB to dispose of its 97.37% equity interest in Alam Flora. After considering the business prospects and fair value of the assets, MCB has agreed to accept the offer, subject to the shareholders' approval at this general meeting.
	(d) What is the assurance of the projection of a profitability in the valuation. Is there a profit guarantee and what were the drawbacks?	There is a profit guarantee given by DRB-HICOM would serve as a protection to MCB should there be a reduction of tariff by the Government due to the review of the agreed fees which was already due. The profit guarantee was for the maximum cumulative PBT shortfall of Alam Flora for the 24 months (pursuant to the terms and subject to the conditions set out in Clause 8A of the SSA as stipulated in Section 2.1.4(vii) of the Circular).

	Key Matters Discussed	Response from the Directors/Management
	(e) Referring to page 101, would the bonus to employees of Alam Flora be recurrent or a one-off -contribution? Mr. Ho mentioned that before the 14th General Election, the former Prime Minister had announced for the payment of special bonus to the staff of DRB-HICOM of RM500 each, is there an announcement made by DRB-HICOM on this?	Yes, an announcement was made by the then Prime Minister on behalf of the DRB-HICOM for the payment of special bonus of RM500 each to 60,000 of its employees including Alam Flora. This special bonus payment was only a one-off contribution and not a recurrent one.
	(f) Describe the investment incentive which would be derived from the Proposed Acquisition?	The incentive that would be derived from the Proposed Acquisition was the opportunity to venture into WTE business which would generate additional revenue for the Group. Although the WTE was not part of the Proposed Acquisition, MCB would engage the necessary authorities to commence this segment of its recycle energy initiative.
	(g) Since there was no guarantee that MCB would secure the concessions in Kelantan and Terengganu (collectively referred to as "**New CA Business**"), why is this included in the valuation of the Proposed Acquisition?	For the concession in Kelantan, Alam Flora was amid negotiations with the Federal Government whilst the State Government has given its clearance. As for the concession in Terengganu, it had not progressed as much as Kelantan. The State Government had however shown interest in having a concessionaire for the cleansing services as well as waste management services. The Management and the Board of MCB believed that the chances for Alam Flora to secure the concessions were high. • As for the future valuation of the New CA Business, Deloitte's valuation of the new CA Business ranged from Nil to **RM136 million** for the low and high range respectively. Based on the purchase consideration the value ascribed to the new concession areas is RM68 million. (i) Deloitte had loaded a higher risk (by applying a higher discount rate of 14% to 15%) to the New CA Business;

	Key Matters Discussed	Response from the Directors/Management
		(ii) An applicable discount of 10% of the valuation for the lack of liquidity of the Alam Flora Group of RM107 million was more that the value ascribed to the New CA Business valued at RM68 million (at high end range); (iii) Deloitte's projection for New CA Business had assumed a 15-year cash flow commencing 1 September 2019 as opposed to concession period of 22 years. The differential sum of RM40 million between New CA Business and the lack of liquidity discount factor had also reduced the valuation of the Non-CA Business. Effectively, with the lack of liquidity discount, the purchase consideration was only in respect of the current CA business. Although the purchase consideration was at an estimated RM970 million, after deducting RM404 million cash, it would imply an adjusted equity value (or the Purchase Consideration) of about RM551 million, for the 97.37% equity interest of Alam Flora, a fair amount compared to the annual profit of Alam Flora at an estimated RM75 million (based on FY 2017 financial results).
	(h) Due to the explanation on item (g) above, can MCB guarantee better dividend for minority shareholders for FYE 2018 as well as increase of the market share price which is now a penny stock shares?	With the increase in the revenue from the Proposed Acquisition, it would enable an increased in profitability and creation of value to shareholders. In the scheme of things, the purchase consideration was RM1 billion compared to MCB's total asset of RM30 billion.
	(i) What is the CAPEX for the existing business of Alam Flora? Alam Flora was still not meeting its key performance indicators ("**KPIs**") and it	As far as the KPIs under the CA of Alam Flora was concerned, DRB-HICOM had relayed to MCB that it had been continuously engaging with the authorities in meeting its KPIs. Alam Flora had also informed the demerit points were due to minor issues which would not warrant the termination of the CA. Certain KPIs in the CA were unreasonable and could not be met by any standards.

	Key Matters Discussed	Response from the Directors/Management
	had been penalised. How would MCB handle this?	For example, the cleaning of drains could be done by Alam Flora's workers in the morning, but when the officer-in-charge inspected the area in the afternoon, the drain would be filled up by rubbish. Alam Flora had taken precautionary measures of taking live pictures as soon as they complete their task as evidence that it had fulfilled its obligation under the CA. As for the CAPEX, it has been included in the valuation and going forward assuming there was an increase in tariff, the overall key assumptions on CAPEX requirements for the remaining tenure of the concession were as follows: - i) Existing Business: RM971.8 million ii) New Concession Business: RM542.2 million iii) Non-Concession Business: RM87.9 million
	(j) What will happen if the resolution sought in the Circular was not passed in this EGM?	If the Company was unable to obtain shareholders' approval for the Proposed Acquisition at this meeting, MCB would exercise its rights to seek a refund of its deposit from DRB-HICOM and would continue to look for any other potential opportunities to grow its business and increase the profitability of the MCB Group.
9.	<u>Iffah Hazrina binti Zamri – Proxy</u> (a) To explain why TBE power plant which was not aging was not performing as expected. What actions had MCB taken thus far to solve the problem of the TBE power plant?	 TBE is a 1,000 MW super critical coal-fired power plant hence its operational risk was higher than gas-fired power plants. TBE uses the best technology for its boiler from General Electric. Having benchmarked against other coal-fired power plants such as TBE power plant, it would usually take 3 years for teething problems of such plants to be resolved. It was the target of the Company to resolve all pertinent issues by March next year. Hopefully, going forward, all issues relating to the plant would be resolved and the reliability of plant to be more consistent.

	Key Matters Discussed	Response from the Directors/Management
	(b) What are plans by the Board to boost the share price of MCB?	MCB was currently faced with a decline in profit due to the lack of growth needed to replace the declining income of the Group's power plants which were close to expiry of their concessions. This was key in increasing profitability and ultimately the share price of MCB. New growth areas identified, in the local and international markets, were areas of renewable energy, which would be the energy of the future for Malaysia.
10.	<u>Leo Ann Puat – Shareholder</u> He supported the resolutions for the Proposed Acquisition and hoped that this transaction would be approved to progress MCB which was currently faced with lack of business growth. This expansion into a new area would serve as a good hedge against its declining business in the power industry, locally. He remarked that the focus now was for MCB to beef up management and operational capacity of the existing and future businesses. The challenge of the existing business was its aging power plants whilst for its new business venture in RE, was the management of human capital and new culture. Hopefully, in the next few years, MCB could give good dividend and better share price performance.	The CEO thanked Mr. Leo for his support and comments. In terms of efficiency of MCB's core business, MCB would optimise the cost and find the most efficient way to reduce its cost of operations. At the same time, there was a need of MCB to find new areas of growth It was hoped that with the new Government, MCB could be more competitive especially in the segment of renewable energy. As for the new business growth the acquisition of Alam Flora would provide good advantage to MCB for expanding its business to new growth area and enhance its profitability as well as market share performance.