

SUNWAY CONSTRUCTION GROUP BERHAD

(Company No. 1108506-W)

(Incorporation in Malaysia)

EXTRACT MINUTES OF THE FIFTH ANNUAL GENERAL MEETING OF SUNWAY CONSTRUCTION GROUP BERHAD HELD AT GRAND CONGRESS, LEVEL 12, SUNWAY RESORT HOTEL & SPA, PERSIARAN LAGOON, BANDAR SUNWAY, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN ON WEDNESDAY, 19 JUNE 2019 AT 3.00 P.M.

PRESENT : **Board of Directors:**
Dato' Ir Goh Chye Koon (Chairman)
Dato' Siow Kim Lun
Dato' Dr Ir Johari Bin Basri
Dr Sarinder Kumari A/P Oam Parkash
Dato' Chew Chee Kin
Mr Chung Soo Kiong
Mr Evan Cheah Yean Shin

SHAREHOLDERS/ : As per Attendance Lists
PROXIES/GUESTS

IN ATTENDANCE : Mr Tan Kim Aun – Company Secretary

BY INVITATION : Ms Ng Bee Lien – Chief Financial Officer
Messrs BDO PLT – External Auditors
Messrs BDO Consulting Sdn Bhd – Independent Scrutineers

OPENING ADDRESS

Dato' Ir Goh Chye Koon ("**Dato' Chairman**") called the Meeting to order at 3.00 p.m. and welcomed all members present at the Meeting.

He highlighted certain key ground rules for the conduct of the Meeting.

CONFIRMATION OF QUORUM

Upon enquiry from Dato' Chairman, the Secretary confirmed that there was sufficient quorum for the convening of the Meeting.

CONFIRMATION OF PROXIES

Upon enquiry from Dato' Chairman, the Secretary reported that shareholders of 1,030,373,954 ordinary shares had lodged their proxies within the stipulated time, and shareholders of 818,283,233 ordinary shares had appointed the Chairman of the Meeting to be their proxies.

CONFIRMATION OF NOTICE SENT

Upon enquiry from Dato' Chairman, the Secretary confirmed that the notice convening the Meeting had been duly sent to all members and with the permission of the members, it was taken as read.

PRESENTATION BY MANAGING DIRECTOR

Dato' Chairman then invited the Managing Director, Mr Chung Soo Kiong ("**Mr Chung**") to give a presentation of the operational and financial performance of the Company and its subsidiaries ("**Group**") as well as their achievements for the financial year ended 31 December 2018.

E-POLLING PROCEDURES

Dato' Chairman informed that all motions tabled at the Meeting, would be voted by poll using electronic means. BDO Consulting Sdn Bhd had been appointed as the Independent Scrutineers for the polling exercise. The e-polling system had been thoroughly tested and proven reliable by BDO Consulting Sdn Bhd.

Dato' Chairman then invited Ms Valerie Chong from the Share Registrar to brief the shareholders on the electronic polling procedures.

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 AND DIRECTORS' AND AUDITORS' REPORTS THEREON

Dato' Chairman then proceeded to table the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon for discussion.

Dato' Chairman invited Ms Elaine Lai, the Manager of Finance to address the queries raised by the Minority Shareholders Watch Group ("**MSWG**") vide its letter dated 7 June 2019. The queries raised by MSWG together with the Company's responses were then presented for the information of the shareholders. A copy of the answers to the queries was appended in this minutes as **Appendix 1**.

Dato' Chairman then opened the floor for questions. The questions and answer session was summarised as follows:

(a) Question raised by Mr Kow Lih Shi, a shareholder:

Q1: The Group was heavily depending on foreign workers for its construction projects. In view of the weak Ringgit Malaysia, would it be a challenge for the Group to continuing hiring foreign workers?

A1: Most of the foreign general workers that the Group hired were from Indonesia. The foreign currency exchange rate between Ringgit Malaysia and Indonesian Rupiah was relatively more stable. With the total monthly remuneration ranged between RM2,800 to more than RM3,000 for a general worker, Management believed that this pricing would still be reasonable and attractive to the foreign workers. Besides the basic remuneration, the welfare of the foreign workers had been well taken care of by the Group with fully-equipped workers quarters provided to them.

(b) Question raised by Mr Lee Chee Meng, a proxy:

Q1: What is the Group's precast market share in Malaysia and who are the competitors to the Group?

A1: Currently, the Group's precast business was only for Singapore market and the Group was the top-3 precaster in Singapore by revenue. The Malaysian precast business was very small and was only limited to Sunway Group in-house projects located in southern region.

There being no further question from the floor, Dato' Chairman proceeded to the next agenda.

2.0 ORDINARY RESOLUTION 1

• Payment of Fees to Non-Executive Directors amounting to RM695,484.93 for the financial year ended 31 December 2018

On the motion duly proposed by Mr Lee Yoong Wai and seconded by Mr Kow Lih Shi, Ordinary Resolution 1 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,030,913,193 ordinary shares (99.999735%) voted for the resolution and 2,727 ordinary shares (0.000265%) voted against the resolution.

It was RESOLVED THAT the payment of fees to Non-Executive Directors amounting to RM695,484.93 for the financial year ended 31 December 2018 be hereby approved.

3.0 ORDINARY RESOLUTION 2

• Payment of benefits payable to Non-Executive Directors of up to RM200,000 for the period from 20 June 2019 until the conclusion of the next Annual General Meeting

On the motion duly proposed by Ms Chen Pooi Yen and seconded by Mr Kow Lih Shi, Ordinary Resolution 2 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,030,884,465 ordinary shares (99.999482%) voted for the resolution and 5,340 ordinary shares (0.000518%) voted against the resolution.

It was RESOLVED THAT the payment of benefits payable to Non-Executive Directors of up to RM200,000 for the period from 20 June 2019 until the conclusion of the next Annual General Meeting of the Company be hereby approved.

4.0 ORDINARY RESOLUTION 3 AND 4

• Re-election of retiring directors pursuant to the Company's Constitution

In accordance with Clause 106(1) of the Company's Constitution, Dato' Ir Goh Chye Koon and Dato' Siow Kim Lun, who retired by rotation and being eligible, had offered themselves for re-election.

Dato' Chairman then handed over the chairmanship to Dato' Dr Ir Johari Bin Basri ("Dato' Dr Ir Johari"), the Senior Independent Non-Executive Director, to preside over Ordinary Resolution No. 3 as Dato' Chairman was an interested party.

Dato' Dr Ir Johari informed the shareholders that the Nomination and Remuneration Committee had assessed all the retiring directors' performance and had recommended both Dato' Ir Goh Chye Koon and Dato' Siow Kim Lun be re-elected as Directors.

ORDINARY RESOLUTION 3

• Re-election of Dato' Ir Goh Chye Koon

On the motion duly proposed by Ms Regine Soo Lay Yeen and seconded by Mr Sang Eng Soon, Ordinary Resolution 3 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,030,517,723 ordinary shares (99.960355%) voted for the resolution and 408,709 ordinary shares (0.039645%) voted against the resolution.

It was RESOLVED THAT Dato' Ir Goh Chye Koon be hereby re-elected as a Director of the Company.

Dato' Dr Ir Johari then handed back the chairmanship to Dato' Chairman.

ORDINARY RESOLUTION 4

• Re-election of Dato' Siow Kim Lun

On the motion duly proposed by Ms Eyo Chay Ni and seconded by Mr Kou Chan Kai, Ordinary Resolution 4 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,029,694,395 ordinary shares (99.880375%) voted for the resolution and 1,233,244 ordinary shares (0.119625%) voted against the resolution.

It was RESOLVED THAT Dato' Siow Kim Lun be hereby re-elected as a Director of the Company.

5.0 ORDINARY RESOLUTION 5

• Re-appointment of Messrs BDO PLT as Auditors of the Company

On the motion duly proposed by Ms Siak Lee and seconded by Ms Chen Pooi Yen, Ordinary Resolution 5 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,030,924,640 ordinary shares (99.999852%) voted for the resolution and 1,528 ordinary shares (0.000148%) voted against the resolution.

It was RESOLVED THAT Messrs BDO PLT be hereby re-appointed as Auditors of the Company for the ensuing year until the next Annual General Meeting at a remuneration to be fixed by the Directors.

6.0 ORDINARY RESOLUTION 6

- **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**
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On the motion duly proposed by Mr Kow Lih Shi and seconded by Ms Regine Soo Lay Yeen, Ordinary Resolution 6 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 202,195,098 ordinary shares (99.999195%) voted for the resolution and 1,627 ordinary shares (0.000805%) voted against the resolution.

It was hereby RESOLVED:-

THAT subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and **THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and **THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

7.0 ORDINARY RESOLUTION 7

- **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
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On the motion duly proposed by Ms Lim Hui Ting and seconded by Mr Sang Eng Soon, Ordinary Resolution 7 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 92,567,341 ordinary shares (99.987665%) voted for the resolution and 11,420 ordinary shares (0.012335%) voted against the resolution.

It was hereby RESOLVED:

THAT approval be hereby given to the Company and its subsidiaries to enter into recurrent related party transactions from time to time, which are necessary for the day-to-day operations as set out in Section 2D of the Circular to Shareholders dated 30 April 2019 which are of a revenue or trading nature and carried out in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company, subject to the compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 (the "Act"), the Company's Constitution and all other applicable laws, guidelines, rules and regulations.

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or**
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or**
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,**

whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

8.0 ORDINARY RESOLUTION 8

- Proposed Renewal of Share Buy-Back Authority**

On the motion duly proposed by Mr Lee Yoong Wai and seconded by Mr Kow Lih Shi, Ordinary Resolution 8 was put to the Meeting for voting by e-polling.

Based on the members and proxies who were present and voted, the resolution was duly passed with 1,030,926,590 ordinary shares (99.999799%) voted for the resolution and 2,068 ordinary shares (0.000201%) voted against the resolution.

It was hereby RESOLVED:-

THAT subject to the Companies Act 2016 (the “Act”), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Company be hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company

PROVIDED THAT:-

- (a) the aggregate number of ordinary shares in the Company (“SunCon Shares”) which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares in the ordinary share capital of the Company at any point of time, subject to a restriction that the share capital of the Company does not fall below the applicable minimum share capital requirements of the Main Market Listing Requirements of Bursa Securities;**

- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the SunCon Shares shall not exceed the Company's retained profits at any point of time;**
- (c) the authority conferred by this resolution will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-**
 - (i) the conclusion of the next Annual General Meeting (“AGM”) at which time it shall lapse unless by Ordinary Resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or**
 - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or**
 - (iii) revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting,**

whichever occurs first; and
- (d) upon completion of the purchase(s) of the SunCon Shares by the Company, the Directors of the Company be and are hereby authorised to cancel the SunCon Shares so purchased or to retain the SunCon Shares so purchased as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act), or to retain part of the SunCon Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.**

AND THAT the Directors of the Company be hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the purchase(s) of the SunCon Shares with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company.

CONCLUSION

There being no other business, the Meeting closed at 3.55 p.m. with a vote of thanks to the Chair and to those present.

ANSWERS TO THE QUERIES FROM MSWG

Strategy/Financial Matters

1. **The Precast Segment gross profit margin decreased substantially from 24% in FY2017 to a low of 4.8% in FY2018 (Page 87 of the Annual Report).**

(a) What was the reason for the lower gross profit margin?

The higher gross profit margin in FY2017 at 24% was due to finalization of accounts for projects that we obtained during FY2015-2016 with very good pricing as precast was at its peak. The normalised margin for precast is about 10% to 15%.

During FY2017, we closed our Tampines plant as we handed back the Tampines land to Singapore government as the land lease has expired. At the same point in time, we put a hold on our tender activities even with the replacement plant in Iskandar up and running as the precast pricing in Singapore took a dip due to price competition. Hence, we secured only minimal amount of new jobs with low yielding margins to sustain our operations.

(b) What are the measures taken to mitigate the erosion of the gross profit margin in the future?

Newer projects secured during FY2018 have better pricing but will only start contributing to the earnings of the Company ("**SunCon**") towards the end of FY2019. We will continue to improve our plant productivity by mechanizing our existing precast plant by stages and investing in automation to further reduce our margin of error and shorten our cycle in producing components. We will focus on producing higher value products such as the Prefabricated Prefinished Volumetric Construction (PPVC).

(c) What is the outlook of the segment in FY2019?

Precast segment which predominantly operates in Singapore should be resilient due to its healthy outstanding order which stands at RM316 million as of March 2019. The Housing and Development Board ("**HDB**") reported that a total of 10,492 units of flats have been launched up to May 2019 (2018: 15,811; 2017: 17,593; 2016: 17,891) and for FY2019, HDB is expected to launch about 15,000 new flats.

For FY2019, this segment will continue to have margin pressure due to low margin jobs secured earlier. Newer projects secured during FY2018 have better pricing but will only start contributing to the earnings of SunCon towards end of 2019.

2. In the Chairman's statement, Sunway Concrete Products (S) Pte Ltd, intends to construct a multi-storey fully-mechanised plant to upscale the precast facility (Page 45 of the Annual Report).

(a) By how much is the production capacity expected to increase as a result of the new construction plant?

The production capacity is expected to increase by 100,000m³ as a result of the new construction plant

(b) What is the capital expenditure expected to be incurred?

The capital expenditure expected to be incurred for the Integrated Construction Prefabrication Hub is SGD80 million inclusive of land cost, building and civil works and machineries.

(c) What is the Company's share of the precast market in Singapore?

SunCon is the top 3 precast player in Singapore by revenue.

3. The Group intends to expand its business in the ASEAN region as it anticipates a slowdown in the local construction industry.

(a) Which are the countries the Group intends to expand into and why?

The countries that the Group intends to expand into are:-

- **Myanmar:** We have signed a Memorandum of Understanding (MOU) with Capital Diamond Star Group ("CDSG") on 1 April 2019. We have also seconded 5 engineers to CDSG in Mandalay as Project Management team to share our construction expertise and at the same time gain some knowledge on supply chain management in Myanmar. Some of the potential jobs are in mixed development projects in Mandalay.
- **India:** We are submitting tenders for 3 projects particularly in road infrastructure worth RM3 billion.
- **Singapore:** We have send 2 piling machines in Singapore and are exploring opportunities there.
- **Philippines and Indonesia:** Exploratory stage for construction projects.

(b) How will the Group compete with the local players in the ASEAN countries as they have in depth knowledge of the local environment?

SunCon's modus operandi for overseas ventures has always been via smart partnership with local players as we are able to gain knowledge of the local environment from our partners and in return we can share our knowledge on construction and project management.

Apart from that, having a strong balance sheet gives us an advantage to work on projects which requires capital funding. However, SunCon stands on very prudent

grounds when it comes to project which requires capital funding and we will only enter the market if it can bring lucrative margins.

- 4. The Group's trading credit period to its customers is generally for a period of 30 days to 90 days.**

In the ageing analysis of the Group's trade receivables, the Group impaired RM1.98 million and RM0.57 million of Trade Receivables within the credit period of 1 to 30 days past due and 31 to 60 days past due respectively in FY2018 (Page 258 of Annual Report).

- (a) What was the reason for the impairment losses?**

The reason for the impairment losses is due to the adoption of MFRS 9 Financial Instruments. MFRS 9 replaces the "incurred losses model" in the previous MFRS 139 with the "expected credit losses model". As opposed to the previous MFRS 139 incurred loss model which delays the recognition of credit loss until there is objective evidence of impairment, MFRS 9 emphasizes on forward-looking information to reflect instruments' expected credit losses. Hence, under MFRS 9, loss allowances are recognised at each reporting period even if no actual loss events have taken place.

- (b) Which business segments contributed to the impairment loss?**

Construction Segment contributed RM1.78 million and RM0.45 million, and Precast contributed RM0.20 million and RM0.12 million impairment losses for Trade Receivables within the credit period of 1 to 30 days past due and 31 to 60 days past due respectively.

- (c) What are the possibilities of these amounts being written off in the future?**

More than 70% of these impaired amounts have been collected throughout January to May 2019. Hence, the possibilities of our general provision turning into bad debts are very remote.