

MTD ACPI ENGINEERING BERHAD

(Company No. 258836-V)
(Incorporated in Malaysia)

Minutes of the Extraordinary General Meeting of MTD ACPI Engineering Berhad ("MTDACPI" or "Company") held at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan on Tuesday, 14 March 2017 at 9.30 a.m.

DIRECTORS PRESENT	:	YBhg. Dato' Ir. A. Rashid Omar, Chairman YBhg. Dato' Ir. Kalid Alias Tuan Haji Nik Din Nik Sulaiman
MEMBERS PRESENT	:	As per Attendance List
PROXY HOLDERS	:	As per Attendance List
BY INVITATION	:	Representatives from Messrs. BDO Malaysia as per Attendance List Representatives from Affin Hwang Investment Bank Berhad as per Attendance List Representatives from KAF Investment Bank Berhad as per Attendance List Representatives from Messrs Lee Hishammuddin Allen & Gledhill Representatives from Management as per Attendance List
ABSENT WITH APOLOGIES	:	YBhg. Tan Sri Dr. Azmil Khalili Dato' Khalid Mr. Keith George Cowling
IN ATTENDANCE	:	Ms. Chan Bee Kuan, Company Secretary Ms. Cheong Wei Ling, Joint Secretary

1.0 CHAIRMAN OF MEETING

YBhg. Dato' Ir. A. Rashid bin Omar, Chairman of the meeting ("Dato' Chairman"), welcomed all members, proxies, corporate representatives, invitees and the Board of Directors ("Board") present, to the Extraordinary General Meeting of the Company ("Meeting").

Dato' Chairman informed that YBhg. Tan Sri Dr. Azmil Khalili Dato' Khalid and Mr. Keith George Cowling are deemed interested in the proposed disposal as set out in the Circular to Shareholder dated 24 February 2017 ("Circular"). They have to abstain from all deliberations and voting on the ordinary resolution for the proposed disposal to be tabled at today Meeting and are excused from attending this Meeting.

Dato' Chairman introduced the key personnel from the management team namely, Ms. Tan Siew Chaing and Mr. Kor Jiann Kyan from Finance & Treasury Division of the Company.

Dato' Chairman also introduced the representatives namely, Company's Auditors, Mr. Rejeesh Balasubramaniam from Messrs. BDO, principal adviser, Encik Johan Hashim from Affin Hwang Investment Bank Berhad and independent adviser, Encik Ahmad Fazlee Aziz from KAF Investment Bank Berhad.

2.0 MEMBERS PRESENT AND PROXIES

In aggregate, twenty-eight (28) members were present in person at the Meeting and seven (7) valid Forms of Proxy representing 100,250 ordinary shares had been received by the Company within the stipulated prescribed period, as verified by Registrar.

3.0 QUORUM

Dato' Chairman confirmed the presence of requisite quorum at the Meeting pursuant to Article 65 of the Articles of Association of the Company, called the Meeting in order at 9.30 a.m.

4.0 NOTICE OF MEETING

Dato' Chairman with the permission of the members present at the Meeting declared that the Notice of Meeting dated 24 February 2017 circulated together with the Circular to the members was taken as read.

Dato' Chairman declared the Meeting duly convened.

5.0 ADMINISTRATIVE MATTERS

Before proceeding to the business of the Meeting, Dato' Chairman explained the procedures to be followed for tabling and approving resolution in the Meeting.

Dato' Chairman stated that the resolution put to vote at the general meeting shall be decided on a poll.

Dato' Chairman further stated that Mega Corporate Services Sdn Bhd was appointed as Poll Administrator for conducting the polling process and Mega Business Consultancy as Scrutineers for verifying the poll results. The polling process for the proposed resolution would be conducted upon completion of the deliberation of the item to be transacted at the Meeting.

Dato' Chairman proceeded with the business on the agenda to be transacted at the Meeting, as follows.

6.0 ORDINARY RESOLUTION

PROPOSED DISPOSAL OF 20,318,144 ORDINARY SHARES OF SAUJANIKA SDN BHD ("SAUJANIKA"), REPRESENTING 100% EQUITY INTEREST IN SAUJANIKA, TO MTD CAPITAL BHD ("MTD CAPITAL") FOR A CASH CONSIDERATION OF RM14,816,559 MILLION ("PROPOSED DISPOSAL")

"THAT approval be and is hereby given for the Company to dispose its 100% equity interest in Saujanika to MTD Capital for a cash consideration of RM14,816,559 (Ringgit Malaysia Fourteen Million Eight Hundred Sixteen Thousand Five Hundred Fifty-Nine only), in accordance with the terms and conditions as stipulated in the conditional share sale agreement dated 8 November 2016 as amended by the supplemental share sale agreement dated 26 January 2017, where applicable entered into between the Company and MTD Capital.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do or to procure to be done all such acts, deeds and things and to execute, sign and deliver, for and on behalf of the Company, all relevant documents and to enter into any arrangements, agreements and/or undertakings with any party or parties as the Board may deem fit, necessary, expedient and/or appropriate, with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be agreed to/required by the relevant regulatory authorities or as a consequence of any such requirements or as the Board may in its absolute discretion deem fit, necessary, expedient and/or appropriate in order to give full effect to complete the Proposed Disposal and in the best interest of the Company."

The Ordinary Resolution was proposed by Mr. Phang Ah Kow ("**Mr: Phang**") (*Member*) and seconded by Encik Khairul Anuar Mohd Sidek (*Member*), to be put to the shareholders for voting by poll at the end of the Meeting.

Dato' Chairman further informed that the Minority Shareholder Watchdog Group ("**MSWG**") had vide its letter dated 10 March 2017 ("**MSWG Letter**") raised questions on the Company's strategy and financials. Dato' Chairman referred to the written reply letter to MSWG dated 14 March 2017 ("**Reply Letter**") presented on slide during the Meeting, a copy is annexed herewith as Annexure 'A'.

Dato' Chairman invited Encik Johan Hashim, representative from Affin Hwang Investment Bank Berhad to brief the Meeting.

With the permission of Dato' Chairman, Encik Johan Hashim proceeded to explain the background and overview of the Proposed Disposal of 100% equity interest in Saujanika by the Company to MTD Capital for a cash consideration of RM14,816,559, as follows:

- (a) Saujanika was incorporated in Malaysia as a private limited company and its principal activity is investment holding. The four (4) subsidiaries of Saujanika are ACP-DMT Sdn Bhd ("ACP-DMT"), Persys Sdn Bhd ("Persys"), MTD ACP Precast Sdn Bhd ("MAP") and ASC Engineering Sdn Bhd ("ASCE").
- (b) The rationale considered by the Board for the disposal of Saujanika are as follows:
 - Involving in non-core businesses – ACP-DMT is currently involved in non-core business of manufacturing and marketing of specialty highway and safety products and providing related services.
 - Inactive – Persys has not secured any new contract today due to stiff competition locally amidst scarce infrastructure contract awards requiring the Company's niche products.
 - Experiencing diminishing order books – MAP and ASCE are both dormant and have not contributed any operating income for the past three (3) financial year.
- (c) The rationale for disposing the Saujanika Group at the sale consideration of RM14.82 million based on net non-trade intercompany debt, is to eliminate the amount of non-trade debts owing by MTDACPI to Saujanika Group as at 30 September 2016 amounting to RM20.6 million, which would otherwise be subjected to an interest rate of 6.5% per annum under the share sale agreement dated 8 November 2016. It will enable MTDACPI Group to continue its core business on a clean slate without Saujanika Group.
- (d) The sale consideration to be paid by MTD Capital for the sale shares was derived after taking into consideration the expected cash outflow and interest expenses to be incurred by the Company and MTDACPI intercompany group from the realization of the net non-trade intercompany debt following the completion of the Proposed Disposal.
- (e) The sale consideration represents a Price-to-book multiple (PB Multiple) of 1.64 times, representing a premium of 63.56% to the unaudited combined adjusted net assets of Saujanika Group as at 30 September 2016.
- (f) The Proposed Disposal will enable the Company to streamline the business activities in construction and engineering works and manufacturing of precast concrete products.

- (g) The disposal of Saujanika will allow the Company to free up the resources and capital for allocation of other core businesses and operations. Saujanika Group has been registering losses over the past 3 years. Hence, the Proposed Disposal also represents the effort to relieve the Group from incurring further losses from the Saujanika Group.
- (h) The Proposed Disposal will not have any effects on the share capital and substantial shareholders' shareholdings of the Company.
- (i) After the Proposed Disposal, the shareholders' equity will increase from RM91.0 million to RM99.0 million. The net asset per MTDACPI share will increase from RM0.40 to RM0.43.
- (j) The Proposed Disposal, if approved by the members at today's meeting, is expected to be completed by end of March 2017.
- (k) The Proposed Disposal involved certain interests of related parties and as such, the interested directors and interested major shareholders are deemed interested in the transaction by virtue of their common directorships and substantial shareholdings in MTD Capital and MTDACPI. In view of their interests, the Proposed Disposal is deemed a related party transaction pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (l) Accordingly, KAF Investment Bank Berhad has been appointed to act as the Independent Adviser to opine on whether the Proposed Disposal is fair and reasonable. The Independent Advice Letter dated 24 February 2017 to the non-interested members in relation to the Proposed Disposal is set out in Part B of the Circular. KAF Investment Bank Berhad advised that the Proposed Disposal is fair and reasonable.

Dato' Chairman invited questions from the floor.

1. Ms. Chong Siew Yoon ("**Ms. Chong**"), a member requested for a brief or summary of the Proposed Disposal for easy understanding.

*Mr. Kor Jiann Kyan ("**Mr. Kor**"), Head, Finance & Treasury Division of the Company explained that the Proposed Disposal involves the disposal of five (5) subsidiary companies with combined adjusted net asset of RM9.5 million. Based on the sale consideration of RM14.8 million, MTDACPI is able to gain RM5.3 million. The sale consideration of RM14.8 million will be set-off against the intercompany debt and as such, reduce the debts and improve gearing of the Company.*

2. Mr. Phang, a member referred to page 5 of the Circular in relation to the group structure before and after the Proposed Disposal, and enquired regarding the utilisation of the proceeds of the sale consideration from the Proposed Disposal.

Mr. Kor explained that the sale consideration of RM14.8 million will be used to pay the net non-trade intercompany debt through MTD Capital by way of set-off against the sale consideration upon completion of the Proposed Disposal.

7.0 POLLING PROCEDURES

There being no other business to be transacted, Dato' Chairman announce the commencement of voting through poll on above mentioned resolution.

Dato' Chairman advised that the personalized polling paper had been issued to the members, proxies, corporate representatives on registration, who were requested to indicate their vote by marking "X" in the appropriate boxes for the proposed resolution, sign the polling paper and insert it into the ballot box. The vote count would commence after the adjournment of the Meeting and the polling results would be verified by the scrutineer, Mega Business Consultancy.

Dato' Chairman further informed that the interested major shareholders and interested directors as set out on page 17 of the Circular have to abstain from all deliberation and voting on the resolution.

Dato' Chairman adjourned the Meeting at 9.55 a.m. for the poll vote count and the Meeting viewed a short video presentation on the business of MTDACPI.

8.0 ANNOUNCEMENT OF POLLING RESULTS

Dato' Chairman called the Meeting to order at 10.05 a.m. with members' consent for announcement of polling results. Based on the Scrutineers' Report dated 14 March 2017 on the results of the poll at the Meeting, Dato' Chairman announced that the ordinary resolution as set out in the Notice of Meeting of the Company was duly passed with majority of 93.19% votes cast in favour of the resolution by the members present in person or by proxy, enumerated as follows:

Ordinary Resolution	Vote For		Vote Against		Result
	No. of Shares	%	No. of Shares	%	
Proposed Disposal	410,455	93.19	30,000	6.81	Carried

TERMINATION OF MEETING

There being no further business, Dato' Chairman declared the Meeting closed at 10.15 a.m. and thanked all members of the Company for attending and participating in the Meeting.

Confirmed as a correct record,

Chairman
Dato' Ir. A. Rashid Omar
Date:

AlloyMtd

MTD ACPI ENGINEERING BERHAD (258836-V)

14 March 2017

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
 Tingkat 11, Bangunan KWSP
 No. 3, Changkat Raja Chulan
 Off Jalan Raja Chulan
 50200 Kuala Lumpur

BY HAND

Attn: Pn. Lya Rahman
 General Manager

Dear Mdm,

MTD ACPI ENGINEERING BERHAD ("MTDACPI")
- Extraordinary General Meeting on Tuesday, 14 March 2017 ("EGM")

We refer to your letter dated 10 March 2017 reference: Lis/qba/EGM/MTD ACPI/2017 in relation to the above subject matter.

On behalf of the Board of Directors of MTDACPI ("Board"), we would like to provide the following clarifications on the points and queries raised in your letter.

Strategy / Financials

- 1 Please explain the following issues relating to the debt restructuring exercise and proposed disposal of Saujanika Sdn Bhd to MTD Capital Bhd:
- (a) Taking into consideration the proposed payment structure under the deal, what would be the tangible benefits to the shareholders?

The payment method under the Proposed Disposal entails the settlement of the Net Non-Trade Intercompany Debts by MTD Capital Bhd. on behalf MTDACPI, in the manner set out in Section 2.1.1 and 2.3 of Part A of the Circular.

The tangible benefits of the Proposed Disposal to MTDACPI and the shareholders are as follows:

- i) Removing the prospects of incurring further operational losses from Saujanika Group, as explained/revealed by the financial performance of the Saujanika Group as set out in Section 3 of Part A of the Circular and further elaborated by KAF Investment in Section 5.1 of Part A of the Circular;
- ii) Eliminating the amount of non-trade debts owing by Saujanika Group to MTD Capital Bhd as at 30 September 2016, which would otherwise be subjected to an interest rate of 6.5% p.a. under the SSA so as to enable MTDACPI Group to continue its core business on a clean slate without Saujanika Group; and
- iii) Opportunity to dispose the Target Companies on an en-bloc basis at a premium to the combined NA of the Target Companies, giving rise to a net gain on disposal of approximately RM4.4 million for MTDACPI in FYE 31 March 2017, should our shareholders approve the Proposed Disposal.

- (b) Would the Company enter into any business transactions/deals with Saujanika Sdn Bhd within the next 6-12 months? If so, please elaborate the reasons for the proposed disposal and its positive impact to the Company arising from the transaction, taking into consideration the potential business developments, going forward.

The Board has no knowledge of any plans to enter into any material business transactions/deals with Saujanika Sdn Bhd which may have a significant positive impact on MTDACPI within the next 6-12 months.

- 2 Please present the key performance indicators and explain the financial performance of these companies for the last three (3) years for the benefit of the shareholders? Please elaborate further on the Board's view on the disposal and how it would benefit the Company.

The financial information and key performance indicators of Saujanika Group has been elaborated in Section 7 of Appendix I of the Circular. We set out below the performance of the individual Saujanika Subsidiaries, which generally show a downtrend in revenue and operational profitability over the past 3 financial years:

	Audited for the FYE 31 March			Unaudited
	2014	2015	2016	for the FPE 31 December 2016
	RM'000	RM'000	RM'000	RM'000
ACP-DMT:				
• Revenue	19,497	23,860	21,776	18,586
• (LAT)	(1,455)	(259)	(3,124)	(2,464)
Persys:				
• Revenue	36,236	29,453	6,877	2,321
• PAT / (LAT)	(13,423)	(14,647)	(1,226)	2,868
MAP:				
• Revenue	-	-	-	-
• PAT / (LAT)	(1) 1,531	(3,029)	(136)	(1,008)
ASCE:				
• Revenue	244	-	-	-
• PAT / (LAT)	(2,899)	(3,724)	(2) 3,743	11,963
• PAT / (LAT) without the effects of unrealised forex gain	-	-	(262)	(274)

Notes:

(1) Profit mainly due to gains from disposal of property, plant and machinery.

(2) Profit mainly due to unrealised gain in foreign currency translation and reversal of provisions made for accrued, trade and other payables in prior years.

The Board views the Proposed Disposal is in the best interest of the Company as the Saujanika Subsidiaries have either involved in non-core manufacturing activities which are, both locally and/or abroad, experiencing margin compression, have been inactive due to diminishing order books or facing ongoing litigation cases, such as in the case of ASCE's drawn-out legal dispute with the National Housing Authority of Thailand. Based on the challenging business environment in which the Saujanika Group of companies are operating in, the Board views the Proposed Disposal as beneficial in streamlining the MTDACPI Group's focus on the core business operations (as set out in Section 3 of Part A of the Circular) and ring-fence the Group from further losses in Saujanika Group.

3 What is the nature of the non-trade debts? How did these non-trade debts arise and were re-organised as essentially non-trade inter-company debts of Saujanika Subsidiaries and MTD ACPI Interco Group, leading to the proposed disposal?

The Net Non-Trade Intercompany Debt generally consists of the following:

- i) Various sundry advances made by MTDACPI Group to Saujanika Group for daily operation expenses of the Saujanika Group; and
- ii) The balance amount owing to Persys by ACPM pursuant to the sale of a freehold land owned by Persys together with building and structures located at Batang Kali, Selangor Darul Ehsan to ACPM.

The reorganisation of the non-trade intercompany debts to arrive at the net non-trade debt is set out in great detail in Sections 2.1.1 and 2.4 of Part A of the Circular. Conceptually, the non-trade intercompany debts:

- i) Owing by Saujanika Subsidiaries to MTDACPI Group is reorganised to be concentrated in Saujanika; and
- ii) Owing by MTDACPI and MTDACPI Interco Group to Saujanika Group is reorganised to be concentrated in MTDACPI.

As a result of the reorganisation of the non-trade intercompany debts, our Company owe Saujanika of RM20.65 million and Saujanika Owes our company RM5.83 million. These amount owings are set-off to arrive at the Net Non-Trade Intercompany Debt of RM14.82 million. MTDACPI will assign MTD Capital to use the sale proceeds from the Proposed Disposal to settle this net non-trade debt on MTDACPI's behalf.

4 The Chairman in his statement in the Company's Annual Report for the financial year ended 31 March 2016 stated that the order book balance of the manufacturing segment stood at RM90.7 million, comprising mainly the supply of railway-related products to Singapore and the supply of core civil and infrastructural products for the local market.

- (a) What are the order books of the manufacturing and the Construction & Engineering Segment to-date respectively, given the knowledge that MTD Construction Sdn Bhd, a wholly-owned subsidiary, had been awarded a total contract sum of RM678.68 million by Mass Rapid Transit Corporation Sdn Bhd to be completed over a 66-month period as announced on 24 November 2016?

As at 31 January 2017, the order book for our construction and engineering ("C&E") and manufacturing segments are RM851.1 million and RM122.6 million respectively. We acknowledge that the RM678.68 million Mass Rapid Transit contract announced on 24 November 2016 had increased our construction segments' contracts in hand.

- (b) How does the Board evaluate and assess the Company's sustainability and prospects moving forward?

With a combined group-wide order book of approximately RM 1 billion, the Board views the operational prospects of MTDACPI to be sustainable in the next 3 years.

We trust the above information clarifies and answer your queries and would be pleased to provide further clarification to any other issues to be raised.

Yours faithfully,
MTD ACPI ENGINEERING BERHAD

DATO' IR. A. RASHID BIN OMAR
Chairman