

## **SAM ENGINEERING & EQUIPMENT (M) BERHAD (298188-A)**

(Incorporated in Malaysia)

Minutes of the Twenty-Second Annual General Meeting (“AGM”) of SAM Engineering & Equipment (M) Berhad (“the Company” or “SAM EE”) held at the First Floor, SAM Meerkat (M) Sdn Bhd, Plot 103, Hilir Sungai Keluang Lima, Taman Perindustrian Bayan Lepas 4, 11900 Penang on Wednesday, 17 August 2016 at 11.00 am.

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Present : As per appendix I  
By Invitation : As per appendix I  
In attendance : As per appendix I

### **Call to Order and Determination of Quorum**

The Chairman, Mr Tan Kai Hoe, extended a very warm welcome to all shareholders who attended the Twenty Second AGM. He proceeded to call the meeting to order and the Company Secretary confirmed that there was quorum present.

### **Notice of Meeting**

Chairman proposed that the notice for the AGM, which had been announced and circulated to members on 25 July 2016, be taken as read. Consent was obtained from the shareholders and proxy holders present.

He said that there were 10 Ordinary Resolutions to be tabled for approval by the shareholders on poll in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). He invited the Company Secretary, Ms Ong, to brief on the polling procedures.

The Company Secretary informed that Plantation Agencies Sdn. Bhd. had been appointed as Polling Administrator to conduct the Poll whilst Boardroom Business Solution Sdn Bhd had been appointed as scrutineers to facilitate the poll process.

She continued to brief the shareholders on the polling procedures to be carried out. It was announced that the polling forms were distributed to the respective shareholders and proxy holders at the registration counters before entry into the meeting hall.

### **1. To receive the Audited Financial Statements for the year ended 31 March 2016 and the Reports of Directors and Auditors thereon**

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- 1.1 Chairman informed that the first item on the agenda was to receive the Audited Financial Statements (“AFS”) of the Company and the Group for the financial year ended 31 March 2016 (“FY2016”) together with the Reports of the Directors and Auditors thereon.
- 1.2 Chairman invited any accounting related questions from the floor pertaining to the AFS for FY2016.
- 1.3 Comments from a shareholder, Mr Tan Kuan Ghee, to the Board and the responses (from Chairman, Mr Jeffrey Goh and Ms Helen Teo, as applicable) were summarised as follows:

1.3.1 *Disposal of shares and conversion of irredeemable convertible loan stock (“ICULS”) were carried out by the substantial shareholders in Singapore.*

Chairman responded that shareholders were treated equally and at liberty to buy and sell shares and convert their ICULS.

He noted that the actions of Singapore Precision Engineering Limited (“SPE”) and Singapore Aerospace Manufacturing Pte Ltd (“SAM”) to sell off part of their shares and to convert some of their ICULS has enabled the Company to meet the public shareholding spread as required by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

1.3.2 *Issuance of shares to Directors and Employees.*

Chairman noted the comments and said that the Board would look into various options to reward employees and Directors. He noted that some senior management personnel are also shareholders of SAM EE. He stressed that the Board is focussed on ensuring sustainable long term returns to the shareholders. Therefore, the Board took the prudent action of keeping sufficient funds in the Company, and earmarking some for dividends whenever appropriate. He added that the Executive Director and employees are fairly compensated with cash bonuses.

1.3.3 *Competition – How is SAM EE managing competition.*

Mr Jeffrey Goh commented that the Company had a long corporate history. The change of company name to include the acronym ‘SAM’ reflected the connection to its parent company, a prominent name in aerospace supply chain and well known to principals such as Rolls Royce, Boeing, General Electric and Airbus. He said that the Board was not unduly worried about competition as it would encourage fair play and keep all parties on their toes. He added that an aircraft has many parts so there are opportunities for all, including competitors. Furthermore, SAM EE is very strong in the machining sector and this helps it to secure many projects.

1.3.4 *Sharing of information on the 1<sup>st</sup> quarter results for FY2017 ahead of announcement to the public.*

Chairman informed that the 1<sup>st</sup> quarter results for FY2017 would be released in due course in accordance with the prescribed requirements of Bursa Securities. He noted that management had worked hard to deliver exceptional results in FY2016. He added that the Directors were more interested in delivering medium and long term returns to shareholders particularly so in light of uncertainties in the market and global economic conditions.

1.3.5 *Dividend declared by subsidiary to SAM EE appeared to be less than that declared by the company to shareholders.*

Ms Helen Teo clarified that this was a timing difference, as a subsidiary had declared about RM40M in dividend to SAM EE after FY2016.

1.3.6 *Prepayments under Trade and Other Receivables increased from RM6.7M for FY2015 to RM17.5M for FY2016.*

Ms Helen Teo explained the increase in prepayments was mainly due to advance payments to suppliers of machines. These machines were bought for a number of aerospace projects and the payments were classified as pre-payment in the financial statements until completion of commissioning of the machines. Thereafter, the amount would be transferred to fixed assets.

Mr Jeffrey Goh said that these machines formed part of the overall planned acquisition of machines valued at more than RM100M.

1.3.7 *The interest received on monies was not much. Given that business was mainly carried out in Singapore, Malaysia and Thailand, was there a need to keep extra funds denominated in US Dollar?*

Ms Helen Teo explained that the bulk of revenue (95%) and purchases (70%) were denominated in US Dollar. Management has a hedging policy to commit to 3-month forward hedging to minimise exposure to foreign exchange fluctuations. Furthermore, all committed capital expenditure were hedged.

1.3.8 *Were the land owned by the Company mostly freehold or leasehold? If leasehold, why not purchase freehold land?*

Mr Jeffrey Goh explained that land was purchased from the Penang Development Corporation. Land earmarked for industrial use is normally leasehold land with a lease period of 60 years. Dato' Salleh added that the lease is renewable for a fee.

1.4 Chairman also flagged out the questions received from a shareholder, Mr Choong Beng Hin, and the responses provided by the management for shareholders' information.

1.4.1 *The retained earnings for SAM EE as at 31 March 2016 was RM26.5M. Total dividend payable is about RM51M. How can SAM EE with a retained earning of RM26.5M declare RM51M dividend?*

Management clarified that at the date of declaration of dividend, the retained earnings for SAM EE was RM67M. The increase in SAM EE retained earnings from RM26.5M as at 31 March 2016 to RM67M was due to dividend income from a subsidiary.

1.4.2 *What is the funding strategy moving forward to invest for the growth of the business and the annual dividend payment so as to continue to maintain a strong Balance Sheet?*

Management stated that funds required for the company's growth will be funded from the existing cash and bank borrowings, if required. To continue to maintain a strong balance sheet position, the company will not borrow beyond its share equity.

1.4.3 *Reasons for winding up SAM Meerkat (Suzhou) Co Ltd as China has a vast and growing market for the aviation business.*

Management explained that SAM Meerkat (Suzhou) Co Ltd was set up primarily at the request of an industrial customer to be in close proximity to its customer. SAM Meerkat (Suzhou) Co Ltd was shut down after fulfilling the Company's production obligation to the customer. The Company will continue to look for business opportunities both within and outside China, and will set up the necessary structure as required.

#### 1.4.4 Financial Performance:

- (i) *There was a number of non-recurring items that gave rise to the impact to the bottom line. The Company should focus on items which are within the Company's control so that growth in bottom line is consistent with that for revenue.*

Management agreed and reiterated that operational issues are always its main focus.

- (ii) *Personnel and related costs increased by about 30% during the year. What are the reasons for the increase?*

Management updated that the increase was due to:

- Increase in headcount cost due to increase in business for the hard disk drive and automation business (15%)
- Higher cash bonuses and annual increment (10%) to reward the employees for their hard work in delivering exceptional results in FY2016.
- Weakening of RM against USD and SGD (5%).

Management also reiterated that it is mindful of the payroll cost and will only increase headcount when it is absolutely necessary.

- (iii) *Balance Sheet- Loans & Borrowings-RM5,506,000*

Management clarified that this related to liability component of ICULS. The maturity date of the ICULS is 25 September 2017. On this date, the balance amount of this liability component on ICULS will become zero.

- (iv) *Note 3.1 mentioned that leasehold land and buildings amounting to RM12,918,000 have been charged to a bank as securities for bank facilities granted to a subsidiary. The borrowings appear to be over collateralized. Can the company free these assets with substitution of the issuance of corporate guarantees?*

Management updated that this is a banking line established to fund working capital, which had not been utilised. The management will work with the bank to see whether it can replace this collateral with corporate guarantee.

#### 1.4.5 Proposed wish list:

- (i) *Offer bonus shares to shareholders based on the strength of the company Balance Sheet.*
- (ii) *Have a corporate exercise to split nominal value of RM 1 per share into RM 0.50 share.*
- (iii) *Offer ESOS to employees as a reward towards their loyalty and invaluable services.*

*It's also with the objective to increase the liquidity and marketability of the shares in the Bursa stock exchange.*

Management explained that the Board's focus is on helping the Company create good, sustainable, long-term shareholder returns. This includes deploying resources to grow the business, and providing good dividends to shareholders. At the moment, it was not actively looking at bonus issue, share split and ESOS. However, it will consider them at the right timing.

- 1.4.6 As no further question was raised, Chairman declared that the AFS of the Company and the Group for FY16 were duly received by the shareholders and proceeded to the next item on the Agenda.

**2. To re-elect the following Directors who are retiring pursuant to Article 91 of the Company's Articles of Association and being eligible, offer themselves for re-election**

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- 2.1 Chairman informed that Ordinary Resolutions 1 and 2 dealt with the re-election of Directors who retired pursuant to Article 91 of the Company's Articles of Association. Mr Goh Wee Keng and Dato' Wong Siew Hai, being eligible, had offered themselves for re-election

**2.2 Ordinary Resolution 1: Re-election of Director – Mr Goh Wee Keng**

Mr Tan Kuan Ghee proposed and Mr Tnoeh Khye Lock seconded the re-election of Mr Goh Wee Keng who retired pursuant to Article 91 of the Company's Articles of Association. The motion was put to vote by way of poll.

**2.3 Ordinary resolution 2: Re-election of Director – Dato' Wong Siew Hai**

On the proposal of Ms Deidre Yong Yee Mei and seconded by Ms Tan Sheue Lee, the motion on the re-election of Dato' Wong Siew Hai who retired pursuant to Article 91 of the Company's Articles of Association was put to vote by way of poll.

**3. Ordinary resolution 3:**

**To re-elect Mr Tan Kai Hoe who is retiring pursuant to Article 98 of the Company's Articles of Association and being eligible, offer himself for re-election**

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- 3.1 At this juncture, Chairman handed the chairmanship of the meeting to the CEO, Mr Jeffrey Goh as Ordinary Resolution 3 concerned his re-election as Director of the Company.
- 3.2 On the proposal of Mr Tan Kuan Ghee and seconded by Mr Lew Kee Chai @ Liew Hoy Kwong, the motion to re-elect Mr Tan Kai Hoe who retired pursuant to Article 98 of the Company's Articles of Association was put to the vote by way of a poll.
- 3.3 As the poll on this motion would be conducted upon completion of the remaining business of the meeting, Mr Jeffrey Goh handed over the chairmanship to Chairman for the remaining items on the agenda.

**4. Ordinary Resolution 4**

**To approve the payment of Directors' Fees amounting to RM397,500 for the financial year ended 31 March 2016**

Chairman informed that Ordinary Resolution 4 concerned payment of Directors' Fees amounting to RM397,500 for FY2016.

On the proposal of Mr Lau Eng Thean and seconded by Mr Yeoh Lip Keong, the above motion was put to vote by way of poll.

**5. Ordinary Resolution 5**

**To Re-appoint Messrs KPMG as Auditors of the Company to hold office until the conclusion of the next AGM, at a remuneration to be determined by the Directors**

Chairman informed the meeting that Messrs KPMG had expressed their willingness to continue in office. On the proposal of Mr Lau Eng Thean and seconded by Ms Teo Siew Geok, the motion to re-appoint KPMG as Auditors of the Company was put to vote by poll.

**Special Business**

**6. Ordinary Resolution 6**

**Authority to issue shares pursuant to section 132D of the Companies Act, 1965**

Chairman proceeded to the Special Business and explained that Ordinary Resolution 6 was to obtain approval from the shareholders to empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company.

Passing the Ordinary Resolution 6 today would give the Board a certain amount of flexibility, when the need arose, to issue additional shares subject to approval of all relevant regulatory bodies being obtained where necessary.

On the proposal of Mr Lau Eng Thean and seconded by Ms Helen Sau-King Luk, the motion was put to vote by way of poll.

**7. Ordinary Resolution 7**

**Proposed renewal of existing shareholders' mandate for recurrent related party transactions ("RRPT") ("Proposed Shareholders' Mandate")**

- 7.1 Chairman explained that approving Ordinary Resolution 7 today would allow the Group to enter into RRPT in accordance with paragraph 10.09 of Chapter 10 of the Listing Requirements of Bursa Securities. Details of the RRPT were as set out in the Circular to shareholders dated 25 July 2016.

- 7.2 These RRPT were necessary for the Group's day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders.
- 7.3 He added that all the interested Directors, Major Shareholders and persons connected with these interested Directors and Major Shareholders would abstain from voting in respect of their direct and/or indirect shareholdings.
- 7.4 On the proposal of Ms Deidre Yong Yee Mei and seconded by Ms Law Siew Kim, Lilian, the motion was put to vote by poll.

## **8. Continuation in office as Independent Non-Executive Directors**

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- 8.1 Chairman informed that the last three resolutions on the agenda concerned the continuation in office of Dato' Mohamed Salleh Bin Bajuri, Dato' Seo Eng Lin, Robin and Dato' Wong Siew Hai as Independent Non-Executive Directors of the Company in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next AGM.
- 8.2 All three Directors have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years each. The Board has proposed that they continue to act as Independent Non-Executive Directors of the Company. Details of the Board's justifications and recommendations for retaining these Directors were as set out under the Corporate Governance Statement in the 2016 Annual Report.
- 8.3 **Ordinary Resolution 8: Continuation in office by Dato' Mohamed Salleh Bin Bajuri**
- Ms Tan Sheue Lee proposed and Mr Yeoh Lip Keong seconded the motion to retain Dato' Mohamed Salleh Bin Bajuri as Independent Non-Executive Director of the Company. The motion was put to vote by way of poll.
- 8.4 **Ordinary Resolution 9: Continuation in office by Dato' Seo Eng Lin, Robin**
- Mr Tan Kuan Ghee proposed and Ms Helen Sau-King Luk seconded the motion to retain Dato' Seo Eng Lin, Robin as Independent Non-Executive Director of the Company. The motion was put to vote by way of poll.
- 8.5 **Ordinary Resolution 10: Continuation in office by Dato' Wong Siew Hai**
- Mr Lau Eng Thean proposed and Mr Yeoh Lip Keong seconded the motion to retain Dato' Wong Siew Hai as Independent Non-Executive Director of the Company. The motion was put to vote by way of poll.

## **9. Polling**

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- 9.1 The Joint Company Secretary recapped the balloting process and requested shareholders and proxy holders to deposit their polling forms into the Ballot Box placed at the side of the Meeting Hall at the adjournment of the meeting. The casting of votes by the shareholders and proxy holders was duly observed by the Scrutineer.

9.2 The meeting was recessed at 11.35 am after shareholders and proxy holders have duly casted their votes and was reconvened at 12.40 pm.

9.3 Chairman announced the poll results for Ordinary Resolutions 1 to 10 as tabulated upon receipt of report from Scrutineer:

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
Ordinary Resolution 1	95,431,742	100	0	0
Ordinary Resolution 2	95,431,742	100	0	0
Ordinary Resolution 3	95,431,742	100	0	0
Ordinary Resolution 4	97,975,742	100	0	0
Ordinary Resolution 5	97,975,742	100	0	0
Ordinary Resolution 6	97,975,742	100	0	0
Ordinary Resolution 7	6,051,415	99.99	850	0.01
Ordinary Resolution 8	95,431,742	100	0	0
Ordinary Resolution 9	95,431,742	100	0	0
Ordinary Resolution 10	95,431,742	100	0	0

### Conclusion

There being no further business, the Meeting closed at 12.50 pm.

Confirmed as a correct record

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Tan Kai Hoe  
Non-Independent Non-Executive Chairman  
Date: