SERBA DINAMIK HOLDINGS BERHAD (1167905-P)
(Incorporated in Malaysia)

A RESUME OF THE DISCUSSION AT THE SECOND ANNUAL GENERAL MEETING OF SERBA DINAMIK HOLDINGS BERHAD ("SERBA", "SDHB" OR "THE COMPANY") HELD AT ENTRANCE 9C, IDCC SHAH ALAM, LEVEL 7, JALAN PAHAT L 15/L, SEKSYEN 15 SHAH ALAM, 40200 SHAH ALAM, SELANGOR DARUL EHSAN ON MONDAY, 14 MAY 2018 AT 9.00 A.M.

Dato' Dr Ir Mohd Abdul Karim Bin Abdullah ("Dato' Karim"), the Group Managing Director and Group Chief Executive Officer, presented to the Shareholders the following questions addressed by the Minority Shareholders Watchdog Group ("MSWG") and the answers:

Strategic and Financial Matters

Q1) As disclosed on page 44 of the Annual Report ("AR"), the Group's order book value stands at approximately RM6 billion with an average contract duration of 3-5 years. It was also stated that the Group's overall growth was mainly attributable to revenue growth in all business segments as well as improved efficiency evident by the gross profit margin improvement from 17.03% in FYE 2013 to 17.78% in FYE 2017.

i) What is the Group's targeted order book by the end of FYE 2018?

ii) What steps have been taken to improve the Group's efficiency over the years?

iii) What is the expected gross profit margin of FYE 2018?

A1) i) We target to have an order book of 7.5 billion by the end of FYE2018.

ii) We constantly try to optimize our cost structure whenever the opportunity permits. Our recent acquisitions for example, are aimed at improving the company's ability to perform wider job scopes internally. Other measures such as inventory bulk purchase and workforce.

iii) We expect the GP margins to remain stable or have minor improvement for FYE2018, the effects of our acquisitions and shall slowly kick in as we integrate our operations.

Q2) The Middle East region is the Group's largest contributing region making up 59.04% of the Group's revenue. It was stated on page 48 of the AR that the Group's operations in Qatar remains unaffected as the Oil & Gas sector in the country is expected to be stable regardless of the political tensions. Please share some of the key risks in relation to the Group's operations in this region and the controls to mitigate those risks.

A2) The Middle Eastern region has seen some tensions recently especially with the issues between UA, KSA and Bahrain. However, these tensions are being remedied by many European Nations as well as the US and the UK simply because they have invested billions of dollars in Assets in the region.

The embargo implemented by KSA, UAE and Bahrain as well as Egypt has created a void in the Middle Eastern markets, which can be seen to a certain extent as an opportunity. However, we remain cautious in tapping on these opportunities to avoid being aligned or labeled as being skewed to either side of the conflict.

Q3) What was the reason of Other Receivables to increase from RM13.9 million in FYE 2016 to RM25.1 million in FYE 2017?

A3) This is mainly attributable to GST receivables still not collected now due to speculation on the abolishment of GST and its implementation.

Q4) As disclosed in Note 11.1 (ii) on page 169 of the AR, the Group paid a deposit of RM7,000,000 for acquisition of an investment. The acquisition is expected to be completed by the second quarter of FYE 2018.

Please provide more details on this investment.

A4) This is with regards to a proposed acquisition of a local company the details of which will be announced upon completion of the acquisition.

Q5) In Note 20 on page 181 of the AR, it was stated that Lembaga Hasil Dalam Negeri ("LHDN") has conducted tax investigation on two subsidiaries of the Group in relation to Year of Assessment 2010 to 2015. The tax investigation has been settled subsequent to year end, with total tax settlement of RM45 million, comprising additional tax payable of RM29 million and tax penalty of RM16 million.

What was the nature of the additional tax payable of RM29 million and what are the reasons for the tax penalty of RM16 million?

A5) Serba Dinamik's international operations are typically undertaken by Serba Dinamik International Berhad, a Labuan entity which enjoys a flat rate tax of RM20,000 annually. But on the other hand, a significant portion of our taxes are incurred locally especially with regards to wages and so on. LHDN was not satisfied with the breakdown of local and overseas incurred expenses leading to the additional amount payable for the past assessment years.

<u>Corporate Governance Matters</u>

Q1) The Company in its Corporate Governance Report has stated that it has adopted Step Up Practice 4.3 of MCCG. However, in its Board Charter, it was stated that "in the event the Board wishes to maintain the directorate of an Independent Director beyond 9-year limitation period, the Board must justify and seek specific Shareholders' approval on the matter at the Group's general meeting." This is contrary to Step Up Practice 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs.

We hope that the Board would take note of this.

A1) Thank you for the comment. We will take note of the matter.

Q2) Practice 4.5 of MCCG requires the Board to disclose in its AR the company's policies on gender diversity, its targets and measures to meet those targets. For large companies, the Board must have at least 30% women directors.

We noted that the Company has departed from Practice 4.5 as it does not have such policy and has only 1 female director, equivalent to 14% of Board composition.

We take note of the explanation by the Company as stated in the Corporate Governance ("CG") Report that the Board acknowledges the non-application of Practice 4.5 and has agreed for the Group to consider appointing additional women directors to the Board to support the Group's growth strategies within one year. However, please clarify if a policy on gender diversity has been formalized.

A2) We are currently formalizing a policy for gender diversity and we plan to increase the number of female directors in the board to improve the gender diversity of the Board.

Q3) The Company did not disclose the top five senior management's remuneration component in bands of RM50,000 as recommended under Practice 7.2 of MCCG and there was no explanation of a suitable alternative practice to meet the Intended Outcome.

Under Paragraph 3.2A (b), Practice Note 9 of the Main Market Listing Requirements, the Company is required to disclose the alternative practice it has adopted and how such alternative practice achieves the Intended Outcome as set out in the MCCG.

We hope the Board would take note of this.

A3) Thank you for the comment. We will take note of this.

Q4) The Company in its CG Report had stated that it has applied Practice 12.3 of MCCG. Practice 12.3 refers to facilitating or providing a platform for shareholders to vote remotely without being physically present at the Company's AGM. Based on the Company's explanation on the application of Practice 12.3, the Company has not applied the Practice.

We hope that the Board would take note of this.

A4) Thank you for the comment. We will take note of this.

AGENDA ITEM 1: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

The following questions and answers were dealt with:

Q1) Mr Shulhameed Bin K. E. Kappal Marican ("Mr Shulhameed"), a proxy enquired on the number of quorum to be present in the meeting.

A1) Dato Chairman replied that only two (2) members of the Company were required to form a quorum of the meeting.

Q2) Ms Rebecca Yap Sook Yeen, the representative of MSWG raised the following questions and wished to seek for verification from the Board:

i) Page 163 of the AR stated that the Company had 30% stake in Adat Sanjung Sdn Bhd. However, the associate Company was making losses.

a) What was the reason of the losses? and
b) What did the Company expects from the associate company?

ii) Note 11.1 (i) on page 169 of the AR stated that the Group had entered into a Memorandum of Agreement in August 2017 for the development of industrial and commercial projects in Pengerang, Johor. Ms Rebecca requested the Board to/queried on the following:

a) Update on the status of the above
b) If the Group had the required for the development of the project as the Company was expected to be the main developer; and
c) The gross development value ("GDV") of the project.

A2) En Syed Nazim Bin Syed Faisal ("En. Nazim"), the Group Chief Financial Officer replied as follows:

i) Adat Sanjung Sdn Bhd was related to the Hydro Power Plant in Kota Marudu, Sabah. He said that the project was still under construction and expected to be completed by the third quarter of 2018. He explained that losses reported for the said project was due to administrative and financial costs.

ii) a) The project was related to the development of residential complex in Pengerang.
b) It was pointed out that the Group was involved in the said project as project developer and construction company. The Group would technically provide construction services to the company acquired.
c) Expected GDV of approximately RM500 million.

Q3) Mr Chong Jit Seng, a shareholder queried on the risk that the Company may be exposed to for operating in Tanzania.

A3) Dato' Karim replied that Chlor-Alkali Plant in Tanzania was part of the business model that the Company had adopted. Serba Dinamik International Ltd ("SDIL"), a wholly owned subsidiary of the Company had entered into a joint venture ("JV") agreement with local company in Tanzania, Junaco (T) Ltd ("JTL"). He said that SDIL would hold 25% and JTL would hold the remaining 75% equity stake in Sufini Holding Ltd ("JV Company"). Upon the conclusion of the project, SDIL would be providing the Engineering, Procurement, Construction and Commissioning ("EPCC") services in particular to build, develop, commission and run the plant where SDIL would generate its revenue as the EPCC entity. He added that the Company had also engaged with ThyssenKrupp as the processor technology provider.

He further explained that the source of funds of the project would be from bank loans which the Islamic Development Bank would act as the advisor and coordinate the banking facilities. He said that the banking facilities would be from various international financial institutions. However, those banking facilities had yet to be finalised. He added that SDIL would be appointed as the Operation and Maintenance ("O&M") contractor for a period of 10 years and would have the option to extend for another 5 years via the O&M agreement.

Q4) Mr Ng Kai Chong, a shareholder queried the following:

i) To what extend that the water treatment industry would affect the Group's future cash flow?

ii) The Company's hedging policy against foreign currency.

A4) i) En. Nazim replied that all the projects of the Group had been taken into the consideration as the Group's asset ownership model. He said that there would be some increase in working capital expected during the construction period with regards to the water treatment project.

ii) En. Nazim explained that the structure of the Group was based on local company requirement and international project requirement. All projects carried out and transacted in foreign currency would be via SDIL, the subsidiary Company in Labuan. He said that the current exposure to United States Dollar ("USD") was approximately 85% to 90%. Hence, there was no requirement to have hedging policy as the cost and revenue were in USD.

Q5) Mr Tan Yap Seng ("Mr Tan"), a shareholder asked on the following:

i) He wished to get clarification on why did the Company recently accumulate a lot of consumer data and brief on the recent Quick-Parking services offered by the Company.

ii) He commented that the Company had numerous acquisitions on engineering services companies internationally. He understood that technology and human capital were important for the Company to grow. He asked that whether the services companies were able to work together with the Group after the merger and was there any impairment of goodwill.

A5) Dato' Karim replied as follows:

i) He recapped that during IPO, it was stated that the Group would nurture its other products and services components which were related to IT solutions and training and education. The most recent businesses ventured by the Group were as follows:

- Implementation of an electronic parking in particular Quick-Parking, an application using QR code based payment system for parking;
- Launched of Malaysia Third Party Administrator ("MyTPA"), an application based online management system for clinics, that provide an online depository of integrated records; and
- Invested in online domain portal business namely Global Contact Exchange ("GCE") programme.

He said that the Group was utilising its existing capabilities as one of the subsidiary is an IT solution provider and software specialist as well as utilising the platform to store, manage and maintain meaningful large data collection accordingly in particular membership data related to the above. The said maintenance would help the Group to provide better services to the customers especially those in oil and gas industry.

In addition, Dato' Karim informed that the said products and services such as advertisement income added additional revenue to the Group and the profits could be contributed to the shareholders. He further quoted examples such as Google and Facebook utilised such revenue to contribute back to their shareholders. He said however, the Company would not head towards such direction as Quick-Parking application and GCE programme were developed and implemented to support and expand the revenue of the Group.

Dato' Karim commented that with engineering expertise and integration of other products and services, Management intended to make Serba Dinamik a household brand name domestically and internationally. Hence, the collection of human data was important to the Group in the long run.

ii) En. Nazim replied that except for CSE Global Limited ("CSE"), all other companies acquired were either a technology company or ones which having projects collaboration with the Group. He also informed that:

- all projects generated stable income and profit; and
- all companies were bought at a discounted rate and minimal premium.

He added that the Company acquired approximately 25% stake in CSE at SGD0.45 per share when CSE share price was increasing. He also informed that the Company had received dividends after the acquisition. It was noted that all acquired companies would not have issues on impairment in the near future.

En. Nazim then explained that the acquired companies were generally engineering household brands and the integration exercise among the acquired companies was still ongoing. He said that they were able to work together, there was no issue on the integration exercise and other companies also brought in their specific technical skills that would help the Group to grow in the future.

Dato' Karim added that the acquired engineering companies only became the associate companies of the Group. Since the Group was positioned as associate company, Management insisted that technology involve was to be brought back to Malaysia or to region which the Group had strong position to expand market and sell the technology. He commented that that was one of the reasons of setting up the Global Centre of Excellence in Pengerang and an Integrated Energy Hub in Bintulu. He highlighted that Serba had the ability to manufacture steam turbines which was a major achievement for any Malaysian company currently and Serba had managed to build steam turbines with a capability to generate 30 megawatt.

Q6) Mr Shulhameed asked on the following:

i) Why was there a large amount of tax liability imposed by “Lembaga Hasil Dalam Negeri” (“LHDN”). He suggested Management to appeal for lesser penalty.

ii) He enquired if the Company has diversity policy on business activities. He commented that different business activities must be synergized and able to coordinate well. He was worried that oil and gas industry had shrunk and may have negative impact to the Company in the future. He then gave an example where aircraft industry was looking into solar power to substitute petrol and also suggested the Board on diversifying the business activities of the Group.

A6) i) Dato’ Karim replied that out of RM45 million, RM29 million was the additional tax payable to LHDN for the year of assessment 2010 to 2017 and the remaining RM16 million was the tax penalty.

En. Nazim explained the substantial amount of tax liability was due to the following:

- allocation of man power costs and the accounting for revenue between the local and the international subsidiaries where the revenue from foreign operations was accounted for in Serba Dinamik International Ltd which only attracts an minimal tax rate as compared to the statutory tax rate for the local company;
- The man power costs attributed to these foreign projects were charged to the local company i.e. Serba Dinamik Sdn Bhd (“SDSB”). Between 2010 and 2015, Malaysian staff were sent for the foreign operations and their salary costs were absorbed by SDSB.

He informed that Management believed the additional tax liability would be a one-off issue as it was due to the treatment of the staff cost for Malaysian staff sent overseas and steps had been taken to ensure that issue would not re-occur i.e. Malaysian staff were no longer being sent to overseas.

En. Nazim added that after taking into consideration of the investigation materials presented, advise from tax agent and auditors as well as arguments and appeal made, the Management had agreed with the total amount of RM45 million imposed by LHDN. He added that even though the amount of tax penalty was substantial, the amount was for five (5) years’ assessment. He informed that by law, LHDN could investigate up to seven (7) years assessment.

The Board then noted the comment.

ii) To certain extend, Dato’ Karim agreed that the oil and gas industry might had shrunk. However, he believed that it would take years for the said situation to happen as the maximum consumption of oil and gas by powering vehicle was approximately 15% and another 85% was utilised by other application. He added that currently there was not much of other option or replacement for oil and gas.

En. Nazim then emphasized that the Group was in engineering industry and followed by oil and gas industry. He said that Management team would identify the engineering services and scope that was required by the oil and gas companies.

Q7) Mr Tan Chung Jack, a shareholder asked the timeframe on when the Company would expand its business to the United States ("US") as CSE had positioned its Company in the US.

A7) Dato' Karim replied that the matter was in discussion with CSE. He said that firstly, synergy efforts of both entities were being discussed. Secondly, the possibility of bringing in the capabilities and expertise of the Company to the US. He added that the Group had its own in-house expertise from different part of the world such as British, Italian, etc. The Company would utilise its experts to look into specific market respectively.

He then shared that the most recent opportunity for the Company was to extend its services to Petronas which had recently positioned themselves in Mexico. He updated that Management had spoken to Petronas and suggested to engage with the Company for the products and services available to support Petronas's activities in Mexico. Dato' Karim however assured that the Company was not depending on Petronas only in terms of revenue contribution. He said that the Company's overseas revenue for the past 20 to 25 years did not depend on Petronas's related projects. The Company would assess the prospect of the customer on who would be able to provide opportunity for the Group's growth.

Q8) Mr Tan further commented/suggested/queried on the following:

i) Mr Tan commented that LHDN had the right to carry out tax investigation between 10 to 20 years of assessment if the Company was suspected for tax evasion even though by law, LHDN could carry out tax investigation for seven (7) years of assessment. He then suggested the Board, Management, tax agent and auditors to audit the files and collate necessary information that could be debated with should there be another tax investigation carried out by LHDN.

ii) He queried whether the Company would be:

a) a property developer which build and sell property; or
b) acting as property investor i.e. the Company build and rent the property for long term in Pengerang.

He also commented that the Company was also moving towards a construction company but there was no construction company as subsidiary. He then queried whether the Company would carry out the project base on project management concept which the Company act as the project manager and appoint external contractor, earn revenue via project manager fees and recognise as construction revenue.

A8) i) The Board noted the suggestion.

ii) Dato' Karim replied that the main goal for Serba was to make it a national agenda and make known globally which the development of Pengerang Eco-

Industrial Park project was known globally i.e. up to Rotterdam, several states in the United States, etc. He commented that Petronas had invested USD27 billion in Pengerang project and it had become well known internationally. He said that Petronas would require high-end workshop facilities and other related services once the plant was completed and up-running, which Serba had its Global Centre of Excellence positioned there to serve the needs of Petronas. The positioning of correct technology and specialist in the Global Centre of Excellence was crucial. Dato' Karim commented that becoming a global MRO player, Serba required something sensible and significant. Hence, Serba had extended 62 acres of land to be developed namely Pengerang Eco-Industrial Park ("PeIP") and Pengerang International Commercial Centre ("PICC") which consist of the following:

- Main priority was focused on MRO where Serba would be the full tenant owner of the MRO service provider;
- Serba would venture with other partners as IRM service provider;
- Plant Turnaround Village would be 100% owned by Serba.

He stated that the Company preferred long term leasing approach i.e. 15 years leasing agreement, which would obtain stable income to justify the investment of the project as revenue was expected to be generated from the sales of infrastructure, leasing, services offered as MRO and IRM provider.

AGENDA ITEM 6: PROPOSED AUTHORITY FOR SHARE BUY-BACK

Q9) Mr Tan proposed that share buy-back should only be carried out when the price was decreasing and not during the price is increasing. He also proposed that the Company could consider to issue share dividend-in-specie if there were share buy-back exercise done.

A9) i) En. Nazim expressed his appreciation to Mr Tan for his proposal and comments. He said that the Board and Management had considered several matters before proposing the motion for share buy-back to the members. He assured that the Company would not abuse the authority for share buy-back if approved.

ii) Dato' Karim stressed that the Group would not be distracted towards or involved in any political issues or changes occurred in Malaysia or internationally. He said that the responsibilities of the Board and Management were to operate the Company and return the profits which had been promised to the shareholders. He commented that currently, the Group was in a process of learning curves. Management always look at new things and technology as the Group was to improve their capabilities and be able to compete internationally.

AGENDA ITEM 7: AUTHORITY TO ALLOT & ISSUE SHARES

Q10) Mr Tan suggested that in the event the Company required more capital, the Board could consider to issue 5% to 10% of the Company's shares and offers to the Company's counterpart, supplier, etc. part of the new shares issued and the balance be paid via cash.

A10) The Board noted the suggestion.

Q11) Mr Shulhameed suggested the Board to engage with consultant as and when the Company requires certain expertise. He suggested engaging with people such as Mr Tan as tax consultant to assist with the tax matters of the Company as engaging with established firms was costly.

A11) The Board noted the suggestion.