

SARAWAK OIL PALMS BERHAD

SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTY FOURTH ANNUAL GENERAL MEETING ("54TH AGM" OR "THE MEETING") OF SARAWAK OIL PALMS BERHAD ("SOP" OR "THE COMPANY") FULLY VIRTUAL ON THURSDAY, 23 JUNE 2022 AT 10.00A.M.

All Resolutions tabled at 54TH AGM were passed by shareholders and were as follows:

Agendas	Resolutions No.
Agenda 1 : Adoption of Accounts and Reports of Directors and Auditors	-
Agenda 2 : Declaration of Final Dividend	[Resolution 1]
Agenda 3 : Approval of Directors' fees for financial year ended 31 December 2022 payable on quarterly in arrears	[Resolution 2]
Agenda 4 : Approval of Directors' Benefits for the period from 1 January 2022 until the conclusion of the next Annual General Meeting	[Resolution 3]
Agenda 5 : (a) Re-election of Monaliza Binti Zaidel (b) Re-election of Tang Tiong Ing (c) Re-election of Kamri Bin Ramlee (d) Re-election of Hasmawati Binti Sapawi (e) Re-election of Ling Pau Pau	 [Resolution 4] [Resolution 5] [Resolution 6] [Resolution 7] [Resolution 8]
Agenda 6 : Appointment of Auditors	[Resolution 9]
<u>As Special Businesses</u>	
Agenda 10 : (i) Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director.	[Resolution 10]
(ii) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of Trading Nature.	[Resolution 11]
(iii) Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	[Resolution 12]

Pursuant to Paragraph 8.29A of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all resolutions were voted by poll. Polling results for each resolutions were duly announced to Bursa Malaysia Securities Berhad, on the even date.

Board Members present at the 54th AGM were as follows-

- (1) Mr. Ling Lu Kuang;
- (2) Mr. Ling Chiong Sing;
- (3) Mdm. Ling Pau Pau;
- (4) Mr. Tang Tiong Ing;

- (5) Mr Fong Yoo Kaw @ Fong Yee Kow, Victor
- (6) Puan Monaliza Binti Zaidel
- (7) Puan Hasmawati Binti Sapawi
- (8) En. Kamri Bin Ramlee;
- (9) Dr. Lai Yew Hock, Dominic;
- (10) Mr. Chua Chen San;

Mr. Victor Fong, an Independent Non-Executive Director, was appointed the Chairman of the Meeting of 54th AGM (“Chairman”).

1.0 Opening Address by Chairman

The Chairman then informed that requisite quorum was present upon the confirmation by the Company Secretary and the meeting was then called to order.

The Chairman informed the members/proxies present that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of the AGM would be conducted on a poll. He added that the Company had appointed Boardroom Share Registrars Sdn. Bhd. as the Poll Administrator to conduct the polling process and Sky Corporate Services Sdn. Bhd. as Independent Scrutineers to verify and validate the poll results. The Chairman also informed that the polling process for voting on the resolutions would be conducted upon the completion of deliberation of all items to be transacted at the AGM.

The Notice of the AGM convening the meeting incorporating the detailed text of each of the resolutions was, with the permission of the meeting, be taken as read.

2.0 CLOSURE

There being no other business, the Chairman concluded the Meeting and thanked all present.

Questions raised by MSWG relating to 54th Annual General Meeting (“AGM”) of Sarawak Oil Palms Berhad (“SOP” or the “Company”)

Operational & Financial Matters

1. To cater for future development projects of the Group, and to meet business challenges posed by volatile commodity prices, increases in prices of agriculture inputs and prolonged COVID-19 outbreak, the Group has set aside a large portion of reserve funds for capital expenditure of future development and as a cushion against any unfavorable market conditions.

The Board is also mindful of the continuous support and loyalty of its shareholders. In FY2021, dividend payment will total 10 sen per share, including a proposed final dividend of 6 sen per share. (page 23 of Annual Report (AR) 2021)

- a) How much did the Group set aside for capex in FY2022 and FY2023?
- b) Due to its strong operating cash flows, SOP has turned into a net cash Company in FY2021. With a much stronger balance sheet, does the Company have any plans to have a dividend policy?

Replies:

- (a) The Group set aside RM270 million for capex in FY2022; for year FY2023, RM90 million in respect of replacement of property plant and equipment. Other additional capex for FY2023 will be firmed up towards the latter half of the year.

- (b) Yes.
It has always been the Group’s practice to set aside a large portion of reserve funds to cater for capital expenditure of future developments and as a cushion against unfavourable market conditions.

As rightly pointed out by MSWG , in FY2021, the Group achieved strong operating cashflows and has turned into a net cash company. Thus for FY2021, a total dividend would be 10 sen per share (4 sen interim dividend and a proposed 6 sen final dividend), which is an increase of 4 sen per share compared to preceding year.

For FY2022, to reward shareholders for their continuous support and loyalty, a bonus issue of 1 ordinary share for 2 existing ordinary shares has been proposed for shareholders’ approval at an EGM to be convened after this AGM.

The guidelines of the Group for dividend distribution to our shareholders from distributable profits would be after taking due consideration of the Group’s capital replacement and re-investment (i.e. re-planting and etc), new investment plans, reserves to cater for cyclical commodities prices movement, loan repayment commitment and anticipated future growth and overall earnings, as may be determined by the Board of Directors of the company from time to time

With these, the balance of distributable profits, a portion of which would be used for dividend distribution at the Board’s discretion.

2. On plantation operations, the FFB production in 2021 was 1,246,249 metric tonnes, down 8% from 1,358,049 metric tonnes achieved in 2020. The yield decreased to 15.23 metric tonnes per hectare compared to 16.58 metric tonnes in 2020 due primarily to severe plantation labour shortages particularly the harvesters. (page 24 of AR 2021)

What is the Group's projected growth in FFB production for FY2022? Do you expect yield to recover this year and why?

Replies:

The Group's projected FFB production for FY2022 would probably not exceeding that achieved in year 2021. The severe labour shortage over the past 2 years has impeded upkeep & maintenance of the palms. Backlog of palms sanitation including pruning, circle weeding and delay in fertilizer application program would take some time to recover after sufficient workers are recruited to bring the palms to their normal production conditions. It takes time to catch up with the backlog, after which production can only recover. Thereafter, it is anticipated that yield will recover.

3. As of 31 December 2021, the Group's total planted area was 86,982 hectares compared to 87,964 hectares in 2020. A total of 560 hectares was replanted in 2021 compared to 419 hectares in 2020. The Group's weighted average palm age was 12.28 years. (page 28 of AR 2021)
 - a) How much did the Group spend to replant 560 hectares last year?
 - b) What is your target replanting area for FY2022 and what is the estimated capex?

Replies:

- (a) A total of about 560 hectares commenced re-planting last year. Normally it will take about 2.5 years - 3 years for the palms to reach maturity and to commence harvesting. Last year the costs incurred for re-planting of 560 hectares was RM3 million.
 - (b) The achievable target for replanting in FY2022 is around 1,500 hectares due to various constraints faced by contractors. Estimated capex would be about RM12 million, subject to increases in prices of essential materials.
4. The property market outlook in Sarawak remains sluggish in year 2021. Henceforth, the Group has not launched any new project apart from completing the previously launched Taman Lambir Jaya residential and shop houses project. The overall take up rate of the above was approximately 67% towards the end of year 2021. The contribution from property development segment remains insignificant to the Group. (page 29 of AR 2021)
 - a) What is the remaining GDV and total landbank for your property projects?
 - b) What are the latest unbilled sales?
 - c) Do you have any plans for new property launches this year?

Replies:

- (a) The remaining GDV which is about 33% of the total GDV for all the projects launched was approximately RM40 million. The remaining land bank for Taman Lambirjaya property projects is approximately 96 hectares, which does not include other landbanks.
 - (b) Constructions for all the projects that were launched have been completed. All the units that were sold had been fully billed.
 - (c) No, we are planning to launch new projects next year.

5. The plantation sector faced serious labour shortage in 2020 and the problem persisted into 2021. Though the MCO was lifted in phases towards the end of 2021, when travel restrictions were eased and the Malaysian government allowed recruitment of foreign workers to provide relief to the labour crunch, the Group's operations had experienced negative manpower deployment. SOP has a total workforce of 7,513 in 2021, down from 9,489 in 2020. (page 32 and 72 of AR 2021)
- (a) What was the Group's labour productivity in terms of land-labour coverage ratio in FY2021? What are the measures taken to improve labour productivity?
- (b) Do you have any plans to hire more workers this year? How many additional workers do you need to run at optimal capacity?
- (c) How many of the Group's workers are earning minimum wage? How much additional labour cost per year will the Group incur from the increase in minimum wage from RM1,200 to RM1,500/month?

Replies:

- (a) The targeted land-labour coverage ratio for the Group in FY2021 was approximately 1:8. However, due to labour shortage, our coverage ratio was approximately 1:12. Measures that are undertaken to improve labour productivity include mechanization of certain plantation operations in flat and undulating areas for infield FFB collection and evacuation. With these, harvesters will be focusing on harvesting whilst collectors and loaders will collect and evacuate the FFB that has been harvested. Trial has also been carried out to use machine to collect FFB in place of collectors and loaders.
- (b) Covid -19 pandemic has lasted for over 2 years. The Group would need to top up at least 3,000 to 3,500 workers in order to catch up with the delay once the government has resolved some outstanding matters with labour supplying countries.
- (c) About 30% of the workforce earning is based on daily rate whilst 70% are based on piece-rated. With the implementation of minimum wages which the Group has adopted effective 1 May 2022, it is estimated that additional labour cost per year which the Group will incur due to the increase in minimum wage to RM1,500 per month is about RM35 million to RM40 million per year.

Summary of Questions and Answers by Shareholders during 54th Annual General Meeting (“AGM”) of Sarawak Oil Palms Berhad (“SOP” or the “Company”) held on Thursday, 23 June 2022

No.	Question Received from Shareholder(s)	Responses
1.	<p>Why is the Company’s Share Price keep going down even though the Company’s profit is increasing quarter to quarter since quarter ended 30 June 2021?</p>	<p>The movement of share prices is subject to internal factors, such as profitability and financial position, as well as external factors such as supply and demand, anticipated commodities prices, interest rates movement, climatic factors, and market perception on plantation.</p> <p>CPO futures prices are highly volatile. The graph attached shows its volatility from 4th quarter 2021 onwards. Share prices of most plantation stocks moved in tandem with FCPO prices.</p> 

2.	<p>What is the different between Refined Palm Products and Crude Palm Oil produced by the Group as shown on page 2-3 of the Annual Report. CPO's total production was 384,253MT in FY2021. What was the production of volume of Refined Palm Products in FY2021?</p>	<p>In oil palms refinery, CPO undergo refining processes and refined palms products are manufactured thereon. Refined Palms Products produced are Refined Palm Oils and Palm Fatty Acid Distillate.</p> <p>Refined Palms Oils could be further fractionated to produce Palm Olein and Palm Stearin.</p> <p>The total CPO produced by the Group was about 384,000MT in year 2021 whilst total CPO including those bought from third parties in year 2021 was about 818,000 MT. The total production volume of Refined Palm Product was 404,000MT in year 2021.</p>
3.	<p>FFB yields continue to decline to 15.23MT per hectare in 2021 primarily due to severe plantation labour shortage (page 24 of Annual Report).</p> <p>a) What are the FFB yield so far for year FY2022 versus FY2021?</p> <p>b) Has there been an improvement in the harvesting of FFB and if no, what are the steps/action taken by management to mitigate the severe labour shortage?</p>	<p>(1) Our yield to-date is low and was only about 3.07 per hectare as compared to the corresponding period of last year of about 3.54 per hectare. The yield will continue to drop unless upkeep works such as pruning and palms sanitation could be caught up with.</p> <p>(2) The Management is continually engaging with the government so as to facilitate the bringing in of foreign plantation workers. Machine-assisted in-field operations are also intensified to mitigate the severe labour shortage.</p>
4.	<p>The Key Matter Discussed in respect of the last year's virtual AGM was uploaded to the Company's website. However, there were no details at all on the Questions and Answers Sessions held during the AGM. Please ensure this is reflected in this year Key Matters Discussed. Kindly refer to other Listed Companies' Key Matters Discussed as a best practice benchmark.</p>	<p>Noted and we would look into the matters.</p>
5.	<p>It is the third year the Company is holding its AGM Virtually. Please give all participants of this meeting some evouchers or ewallet top ups as token of appreciation as we do need to register, log in and listen to the meeting proceedings.</p>	<p>For the request, it would be tabled and deliberated by the Board. However, for this round, the Board of Director reward the shareholder by way of the proposed bonus issue of shares which will be subject to shareholders' approval at the EGM to be convened after this Meeting.</p>
6.	<p>How bad is the labour shortage problem faced by the Company? When the company expects to get the foreign</p>	<p>MPOA and SOPPOA have been engaging the government, and efforts are being undertaken by the government. As reported in the newspaper, approval for plantation workers from Bangladesh have been</p>

	labours needed?	given. With these, hopefully full requirement of foreign workers could be addressed by next year.
8.	<p>The Group has invested RM42.834 million in a JV Company, Seaworth Pte Ltd (page 195 of AR).</p> <p>a) What is the principal activities of Seaworth? b) The reason(s) for the continue losses reported by Seaworth for the last 2 financial years.</p>	<p>The principal activities of Seaworth, operating 2 ocean liners (liquid tankers) are carrying liquid cargoes. Due to downturn, especially during the pandemic, (refer to Q2 below) traffic, volume and activity dropped. This year, the volume has gradually picked up for liquid such as CPO and other dry cargoes, but not yet for oil and gas which is affected by geopolitical conflict (Russia-Ukraine war).</p>
9.	<p>(a) Can you described the severity of the labour situation for SOP and how successful is management coping with the problem? (b) Can you describe the magnitude of minimum wages increase to RM1,500 on our financials? (c) How much of or production is hedged? And at what price?</p>	<p>Indeed, it is very severe. Our labour requirement would be about 10,000 (based on the ratio of 1: 8). Currently, it is at approximately 1:12 and our work force is about 7,500. We are short by approximately 25% which would be equivalent to about 2,500 workers. We would need to bring in approximately 3,000 to 3,500, in order to catch with the backlog in pruning and palms sanitation due to the labour shortage experienced in the past 2 years.</p> <p>Based on preliminary calculation, the impact would be between RM30 million to RM35 million. Before 1 May 2022, the minimum wages in Sarawak is RM1,200 for city areas and RM1,100 for areas other than city. Effective from 1 May 2022, we have implemented and the minimum wage is RM1,500 as per Minimum Wages (Amendment) Order 2022.</p> <p>In the past few days, the CPO price dropped tremendously from RM7,200 per MT(year-to-date) to yesterday's level of RM4,600 which portrays volatility of commodities prices.</p> <p>The Company at this moment did not hedge. As such, during the 1st Quarter 2022, the average price realized by the Group was over RM6,000 per MT.</p>
13.	How much unplanted land remaining for new planting and the plans to complete the planning in the years ahead?	<p>SOPB Group currently have approximately 120,000 hectares with total planted area of 88,000 hectares more or less. SOPB Group had launched its Oil Palms Sustainability Policy on No Deforestation, No Peat and No Exploitation (NDPE), SOPB Group are careful in developing new areas.</p> <p>Any new development areas / expansion from existing planted area must comply with the SOPB Group's Oil Palms Sustainability Policy on NDPE. As for the unplanted area, SOP Group planning and looking at the possibility that the areas would be suitable for high conservation value (HCV) and high carbon stock area.</p>

		<p>SOPB Group's emphasized on sustainability and conservation.</p> <p>SOP Group would focus and continue replanting as we have 88,000 ha and would scale-up replanting to about 4,000 ha per year and to further improve yield per hectare. SOP will aggressively replant and improve its yield per hectare once availability of sufficient workers.</p>
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