

## SARAWAK OIL PALMS BERHAD

**SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTIETH ANNUAL GENERAL MEETING  
("50<sup>TH</sup> AGM" OR "AGM") OF SARAWAK OIL PALMS BERHAD ("SOPB" OR "THE COMPANY") HELD  
AT CONFERENCE ROOM OF IMPERIAL HOTEL, JALAN POS, 98000 MIRI, SARAWAK,  
ON 27 JUNE 2018 AT 10:00A.M.**

All resolutions tabled at 50<sup>th</sup> AGM were passed by shareholders 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 in respect of the financial year ended 31 December 2017	[Resolution 2]
Agenda 4 : Approval of Directors' fees for the financial year ending 31 December 2018, payable quarterly in arrears after each month of completed service of the Directors during the financial year.	[Resolution 3]
Agenda 5 : Approval of Directors' benefit for the period from 1 January 2018 until the conclusion of the next Annual general Meeting	[Resolution 4]
Agenda 6 : (a) Re-election of Ling Chiong Sing (b) Re-election of Dr. Lai Yew Hock, Dominic (c) Re-election of Fong Yoo Kaw @ Fong Yee Kow, Victor (d) Re-election of Dato Sri Ahmad Tarmizi Bin Haji Sulaiman	[Resolution 5] [Resolution 6] [Resolution 7] [Resolution 8]
Agenda 7 : Appointment of Auditors	[Resolution 9]
<u>As Special Businesses</u>	
Agenda 8 : (i) Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director.	[Resolution 10]
(ii) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of Trading Nature	[Resolution 11]

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 were present at the 50<sup>th</sup> AGM.

- (1) Tan Sri Datuk Ling Chiong Ho;
- (2) Mr. Ling Chiong Sing;
- (3) Mr. Ling Lu Kuang;
- (4) Mr. Tang Tiong Ing;
- (5) En. Kamri Bin Ramlee;
- (6) Dr. Lai Yew Hock, Dominic;
- (7) Mr. Chua Chen San;
- (8) Puan Hasmawati Binti Sapawi  
(being the Alternate Director of Dato Sri Ahmad Tarmizi Bin Sulaiman)

Absent with Apology

- (1) Mr Fong Yoo Kaw @ Fong Yee Kow, Victor

Mr. Chua Chen San, an Independent and non-executive Director, was appointed the Chairman of the Meeting of 50<sup>th</sup> 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 Symphony Share Registrar Sdn. Bhd. to conduct the polling process and KSK Corporate Services Sdn. Bhd. as 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, taken as read.

**2.0 Matters raised by the Minority Shareholder Watchdog Group (“MSWG”)**

MSWG through their letter dated 19 June 2018 raised several questions, which were replied by the Company via a letter dated 25 June 2018 and share with the members during the Company during the AGM. Among the issues highlighted were the following:

**Financial/Strategic**

1. As stated in the Management’s Discussion & Analysis (MD&A) on page 22 of the Annual Report, the palms recovered from the adverse impact of El-Nino experienced during preceding year, with an improvement of 13% in yield as compared to FY2016.

What are the measures taken by Company to mitigate the impact from adverse weather conditions in the future? Will the Company be able to improve its management in the similar weather condition in the future?

*Ans The Group has adopted industry – accepted good agricultural practices, amongst others, regular drain desilting, installation of water check-gates and weirs to control water level and to maintain desired soil moisture content so as to reduce the adverse impact brought about by variation in weather conditions. However, for extreme weather conditions such as prolonged El-Nino which will significantly affect the desirable atmospheric temperatures and soil moisture contents, the detrimental impacts brought about by extreme weather conditions would be beyond the means of human control.*

2. As reported in the MD&A on page 22 of the Annual Report, the Group's phytonutrient plant has been commissioned in FY2017. Income from phytonutrient products is expected to come on stream in FY2018.

(a) What are the main phytonutrient products of the Company?

*Ans Main phytonutrient products of the Company are (i) tocotrienol and (ii) carotene;*

(b) What is the expected income from the phytonutrient products in FY2018 and going forward?

*Ans Phytonutrient products are now undergoing stringent certification and registration processes/ procedures by the relevant authorities and regulatory bodies of the countries which these products will be export to. Income from this source is expected not to be significant during the initial stages.*

3. As reported in the MD&A on page 22 of the Annual Report, the take up rate to-date for the residential property development at Lambir, Miri which was launched in 2014 and completed in 2017 is only 54%.

What will be the marketing strategies to be employed to promote the properties in the project?

*Ans The property market remained subdued throughout the year, a situation which was similar nationwide.*

*Whilst waiting for the property markets to recover, the Group has slowed down further launching of residential projects. Meanwhile, in house sales team remains active in prompting sale of unsold residential units through various sales campaigns at various towns in the State.*

*Property development business for the Group is nevertheless insignificant if compared to its core businesses of oil palm plantation and related palm oils businesses.*

4. The Chairman's Statement states that the Group faced acute labour shortages which badly impacted plantation operations with associated crop losses.

(a) What is the estimated losses for FY2017 due to the labour shortage problems?

*Ans Plantation sector in Sarawak faced acute labour shortage in year 2017. The agriculture workers are involved in all phases of plantation activities in the oil palm plantation and as such it would be difficult to estimate the overall losses arising from shortage of workers. Nevertheless, estimates of losses in revenue for the Group attributed to fruits not harvested or loose fruitlets not collected due to labour shortage would be in the range of RM20 million to RM25 million in FY 2017.*

(b) With the continued recruitment effort pursued by the Group, has the problem been resolved?

*Ans Continued recruitment effort pursued by the Group helped to lessen the adverse impact arising from labour shortage. However, Labour issue is an on-going issue due to competing high labour demand in the home country where these foreign labour workers originated.*

*However, plantation sector in the State has also engaged/ appealed to relevant Authorities to allow agriculture labour workers to be brought in to the State from other countries.*

(c) Currently, what is the Group's labour productivity in terms of land-labour ratio (i.e. number of hectare per worker)? To what extent has mechanisation or automation initiated by the Group improved the ratio over the years and going forward?

*Ans Currently land-labour coverage ratio is approximately 11 hectares per worker (1:11), as compared to the ideal ratio 1:8 for oil palm plantation sector. The Group has embarked on several programs that will have greater utilization of machines in the areas of manuring and fruits collection/ evacuation so as to improve labour productivity. With these measures, the Group is looking at a ratio of 1:10 by year 2020.*

(d) The new minimum wage is expected to be announced in August 2018. What is the estimated impact on the labour cost of the Group for every increase of RM100 per month per staff.

*Ans Should there be an increase of minimum wages of RM100 per month per worker, it is estimated that wages payment for the Group would increase by approximately RM12 million – 15 million per annum.*

## Corporate Governance Matters

1. Dr Lai Yew Hock, Dominic and Dato Sri Ahmad Tarmizi Bin Haji Sulaiman, who was appointed to the Board on 10 Aug 2017, attended only 3 out of 5 (60%) and 1 out of 2 (50%) of the Board Meetings respectively 2017.

Dr. Lai Yew Hock, Dominic who is a member of the Audit Committee had also attended only 2 to of 4 (50%) Audit Committee Meetings.

What is the reason for them not being able to attend the other board meetings and other Audit Committee Meeting held during 2017?

*Ans Dr. Lai Yew Hock, Dominic was not present in (i) 2 out of 5 Board Meetings, and (ii) 2 out of 4 Audit Committee Meetings, in 2017.*

*He was absent from one (1) Board Meeting held in August 2017 due to appearing in the Court of Appeal hearing in another town for a client, and another one (1) Board Meeting held in November 2017 due to family matter overseas.*

*He was absent from one (1) Audit Committee held in April 2017 due to handling a Court Case in another town, and another one (1) Audit Committee meeting held in November 2017 due to family matter overseas as mentioned above.*

*Dato Dri Ahmad Tarmizi Bin Haji Sulaiman was not present in 1 out of 2 Board Meetings. He was absent from that one (1) Board Meeting held in August 2017 as he was then performing Hajj in Mecca.*

*Nevertheless, both directors had given prior notice and reasons to the Board of Directors for being unable to attend the Board Meetings.*

2. We have accessed the Company's website on 18 June 2018 and note that there was no publication of the "Key Matters Discussed" in the Company's 49<sup>th</sup> AGM held on 20 June 2017 as required under Paragraph 9.21 (2) (b) of the Main Market Listing Requirement.

Why has the Company not complied with the said Listing Requirement? What actions are being taken to comply with the Listing Requirement?

*Ans With much regret and apology, the Company had overlooked this newly implemented requirement. The Company has on 25<sup>th</sup> June 2018 uploaded to its official website the key matters discussed during the Company's 49<sup>th</sup> AGM held on 20 June 2017.*

3. Under MCCG, where there is departure from a Practice, large Companies have to state the timeframe to apply the Practice. We note that the Company did not set the timeframe for applying Practices 4.5, and 7.2.

Under Paragraph 3.2C(b), Practice Note 9 of the Main Market Listing Requirements, companies defined as a "Large Company" under the MCCG must disclose the timeframe required to apply the Practices it departs.

Please take note of this

Practice 4.5:

“The Board discloses in its annual report the company’s policies on gender diversity, its target and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.”

*Ans The Board has no specific gender diversity agenda/ target pertaining to appointment of a board member. The Board places overriding importance on candidate who will bring along diverse opinions, perspectives, professionalism, and who possesses highest integrity, expertise, experiences, and competency and wealth of knowledge. Female director will be duly considered when suitable candidates are identified.*

*At present there is one (1) female director in the board (i.e one alternate female director appointed in year 2017. Another female director has been identified and will be appointed after due appointment processes are completed in year 2018. Together with about 45% females who are holding managerial positions in the Group’s service departments, the Board believes that feminine perspectives and insights would be embedded in the Group’s culture and practices.*

Practice 7.2:

“The Board discloses on a named basis the top five senior management’s remuneration component including salary, bonus, benefit in-kind and other emoluments in bands of RM50,000.”

*Ans The Company has disclosed the remuneration of the directors on named basis under the Practice 7.1. However, the board opined that it would be the best management practice, in the best interest of the Group, to keep remuneration of all employees private and confidential.*

4. Under Practice 5.1, for Large Companies, the Board is required to engage independent experts periodically to facilitate objective and candid board evaluations.

The Company in its Corporate Governance Report (CG report) has stated that it has applied the Practice. However, in the explanation on application of the practice, it is stated that the Board also considers engaging independent consultants to assess the Board’s effectiveness on periodic basis and there is no timeframe stated for a Large Company.

Practice 5.1:

“The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committee and each individual director. The Board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.”

*Ans The Nomination Committee chaired by Independent Non-Executive Director has undertaken a formal and rigorous annual appraisal of the Board collectively as well as on individual basis. Based on the outcome of the appraisal, the Board was satisfied with the performance and effectiveness of the Board collectively as well as on individual basis.*

*The Board would also consider to engage independent consultants, as and when, on need basis, to assess its effectiveness on periodic basis.*

5. The Company in its CG Report has stated that it has adopted Step Up Practice 9.3 which requires the Board to establish a Risk Management Committee to oversee the Company's risk management framework and policies.

In the explanation on adoption of the practice, it states that the Group's risk management framework and policies are under the purview of the Group Audit and Risk Management Committee. The Risk Management Committee envisaged under Step Up Practice 9.3 is a separate Committee. As such, the Company has not adopted the said Practice by combining both Risk Management Committee and Audit Committee.

Please take note of this.

#### Practice 9.3 – Step Up

"The Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the Company's risk management framework and policies."

*Ans The Group Audit and Risk Management Committee was established since 1992. It was formerly known as "Audit Committee", and was renamed to "Group Audit and Risk Management Committee" in 2013. This Committee comprises all the three (3) independent directors and another one (1) non-independent non-executive director of the Company, and it reviews and oversees audit matters as well as risk management matters of the Group.*

*Internal audit and internal controls invariably, amongst others, review adequacy of risk management system and risk management measures that are in place in an entity to mitigate and manage any adverse impact arising from foreseeable events so as to safeguard its assets and operations.*