

KUMPULAN FIMA BERHAD

(Company No. 11817-V)

SUMMARY OF MINUTES OF THE 46TH ANNUAL GENERAL MEETING

VENUE : DEWAN BERJAYA
BUKIT KIARA EQUESTRIAN & COUNTRY RESORT
JALAN BUKIT KIARA, OFF JALAN DAMANSARA
60000 KUALA LUMPUR

DATE/TIME : THURSDAY, 30 AUGUST 2018 AT 3.00 P.M.

1. OPENING REMARKS

The Chairman welcomed shareholders, proxies and invitees to the Company's 46th Annual General Meeting ("AGM" or the "Meeting").

The Chairman proceeded to introduce his fellow Directors, Company Secretaries and external auditors to the members present.

2. QUORUM

Upon confirming the presence of the requisite quorum by the Secretary, the Chairman called the Meeting to order at 3.10 p.m.

3. VOTING PROCEDURES

The Chairman advised that the voting of all resolutions would be conducted by way of electronic polling (e-polling). The Chairman informed that the Company had appointed Symphony Share Registrars Sdn Bhd as Poll Administrator to conduct the polling procedures and Symphony Corporatehouse Sdn Bhd as independent scrutineers to verify the poll results. The polling process for the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the 46th AGM.

The Chairman further informed that where he has been appointed as proxy with discretion as to how to vote as proxyholder. He intends to vote in favour of all resolutions.

4. NOTICE OF MEETING

The members present agreed unanimously with the Chairman's proposal that the notice convening the Meeting, which had been sent and circulated within the prescribed time, be taken as read.

5. PRESENTATION

A video presentation on the overview of the Group's businesses covering inter alia the Group's financial and operational performance for the financial year ended 31 March 2018 was aired for the members' viewing.

After the said video presentation, the Chairman continued with the formal business of the Meeting.

6. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (“FYE 2018”) AND THE DIRECTORS’ AND AUDITORS’ REPORTS THEREON

The Audited Financial Statements for FYE2018 and the Director’s and Auditor’s Reports thereon were tabled to the Meeting.

The Chairman informed the Meeting that the Audited Financial Statements together with the Director’s and Auditor’s Reports were meant for discussion only as it did not require a formal approval of the shareholders as stipulated under Section 340(1)(a) of the Companies Act, 2016 and Article 167 of the Company’s Constitution and hence, it would not be put forward for voting.

The Chairman then invited questions from the floor on the Audited Financial Statements for the FYE2018. In summary, the issues raised by the shareholders/proxies were responded by the Board as follows:

- (1) What is the Group’s outlook and strategy for its business segments to maintain its financial resilience, specific reference being made to the decline in the Group’s top line and expiry of the manufacturing division’s major supply contract?

The Group Managing Director explained that manufacturing division’s current focus would be on trying to win major contracts from key customers but the same were not expected to be forthcoming in the immediate term given that security products have an average lifespan of 5 years. Moreover, high value contracts for security documents are very much limited in number. Nevertheless, the division will endeavor to participate and bid for such contracts as and when they are opened for tender, both locally and overseas. Whilst there have been new overseas contracts secured by the manufacturing division this year, they do not generate enough to make up for the loss of the said contract.

In the meantime, the manufacturing division is building up the competencies of its IT personnel and working with strategic partners in particular product segments in order to bring the division to the next level.

In respect of the Group’s plantation segment, it was explained that at present, palm oil prices were experiencing downward market pressures due to the rise in palm oil production and inventories which in turn may lead to reduced contributions from this segment.

In the long term however, the Company is positive of the segment’s growth momentum as more areas in the Group’s greenfield estates are beginning to attain maturity. Although the earnings of these new estates will experience some pressure as a result of the development expenditure incurred (i.e. rehabilitation and planting), the Company is hopeful that the estates can contribute favorably from 2020 onwards. The Group Managing Director went on to add that its estate in Miri, Sarawak has been fully planted, and 800 hectares thereon have attained maturity.

As evidenced from the recent Q1 FYE2018/19 results, performance of the Group’s bulking segment has been strong, bolstered by the current high palm oil stock levels. It was envisaged that bulking’s better performance would help mitigate the anticipated decline of the Group’s plantation contributions.

Meanwhile, the food segment's financial performance remains impacted by the weak PNG Kina, which currently hovers at an average exchange rate of Kina 0.30 – 0.35 against the US Dollar. Gains from improved pricing (which will be effected this coming October) is expected to offset the effects of the weak PNG Kina. If the PNG Kina can be stabilised, the food segment's earnings contributions could be more favourable.

- (2) It was commented that overall, KFIMA was a steady, stable company with low gearing but it wasn't 'exciting' and if it continues to remain too conservative and don't move fast enough, the Company could get left behind in this market environment.

The Chairman drew the members' attention to the fact that the Group has over the last few years made a conscientious effort to reposition its portfolio by inter alia expanding the Group's plantation landbank, and increasing the production capacity of its food segment - all with a view to improve the Group's overall earnings profile and to counter decline in contribution from the manufacturing segment. In perspective, the Group's planted area to-date stood at 14,132 ha compared to 10,500 ha in 2014 and the Group's yields are considered to be among the best in the industry.

Whilst the Group certainly has its growth ambitions, the same will be pursued but without being too 'adventurous' and within the risk appetite and parameters set by the Board.

- (3) Referring to pages 116 and 117 of the Annual Report, clarification was sought on the Group's cash flow management, having noted the deficit figure of RM7.521 million in net cash generated from operating activities.

Despite generating operating profit of RM102.12 million, a deficit of RM7.52 million was recorded as a result of net changes in receivables and payables balances. Receivables recorded in FYE2017 were lower compared to FYE2018 by RM24.97 million due to payment received towards end of FYE2017. The proceeds were subsequently utilised to pay various suppliers, which as a consequence reduced the Group's trade and other payables by RM56.37 million in FYE2018.

- (4) The recent Mahkamah Agung ruling which held in favour of PT Nunukan Jaya Lestari ("PTNJL") was a 'delightful piece of news'. What are the implications of this decision?

The Group Managing Director replied that the Mahkamah Agung's decision is now enforceable and a reversal of the impairment made last year would be made once the treatment and computation of the amounts to be written back, which is currently being done in consultation with PTNJL's Indonesian advisors, is completed. The impact of the potential writebacks is expected to be favourable.

Further and arising from the Mahkamah Agung decision, 3,500 hectares would be excised from the HGU, out of which approximately 800 hectares are planted. The Company also expects that PTNJL would now have a stronger footing to pursue the development of the unplanted areas within the HGU. Nevertheless, PTNJL would need to apply for and procure the necessary approvals before development works can commence.

- (5) Has the Group made the necessary provisions in the books with regard to Percetakan Keselamatan Nasional Sdn Bhd's RM24.98 million lawsuit against Datasonic Technologies Sdn Bhd?

The Group has made adequate revenue recognition in its books. In any event, should the final outcome of the lawsuit be unfavourable, the impact on the Group's profit & loss is not expected to be material.

- (6) Referring to page 206 of the Annual Report, are there any plans to cancel the 552,300 shares held in the Share Buy Back Account? Cancelling the shares can potentially increase KFIMA's share price and that would make the shareholders happy.

The Chairman responded that the share buy-back exercise is undertaken because the Board believes that KFIMA's shares are undervalued. Nevertheless, the Board is keeping its options open as regard to its plans for the same; but utmost in its consideration would be to maximise shareholders value.

- (7) What are the Group's plans for the biodiesel plant?

The plant which uses technology developed by the Malaysian Palm Oil Board ("MPOB"), has been commissioned and is now operational. The Company was optimistic of generating positive returns (albeit small) from this venture given the growing demand for renewable energy.

With that, the Chairman concluded the questions and answers session for Agenda 1 and proceeded to the formal business of the Meeting.

7. ANY OTHER BUSINESS

The Chairman informed that the Company Secretary has confirmed that the Company had not received any notice for transaction of any other business at the Meeting.

8. POLLING PROCESS

The Chairman declared that the registration for attendance at the 46th AGM be closed at 4.25 p.m. and then adjourned the Meeting for the e-polling process. The members were informed to proceed to the polling stations located at the foyer to cast their votes and were requested to return to their seats after e-polling for the declaration of the poll results.

9. ANNOUNCEMENT OF POLL RESULTS

At 4.50 p.m., the Chairman called the Meeting to order for the declaration of poll results and read out the poll results for the 46th AGM of the Company.

(The poll results were also projected on screen.).

AGENDA	FOR		AGAINST	
	No. of Shares	%	No. of Shares	%
<u>ORDINARY RESOLUTION 1</u>				
To approve the payment of final dividend of 9.0 sen under the single-tier system in respect of the financial year ended 31 March 2018.	169,600,062	100	0	0.0000
<u>ORDINARY RESOLUTION 2</u>				
To re-elect Dato' Rosman bin Abdullah pursuant to Article 114 of the Company's Constitution.	166,956,637	98.4991	2,544,025	1.5009
<u>ORDINARY RESOLUTION 3</u>				
To re-elect Puan Rozana Zeti binti Basir pursuant to Article 114 of the Company's Constitution.	168,280,237	99.3683	1,069,825	0.6317
<u>ORDINARY RESOLUTION 4</u>				
To approve the payment of Directors' fees for the Non-Executive Directors of the Company for the ensuing financial year.	168,989,662	100	0	0.0000
<u>ORDINARY RESOLUTION 5</u>				
To approve the payment of Directors' fees for the Non-Executive Directors who sit on the Boards of subsidiary companies from 31 August 2018 until the conclusion of the next AGM of the Company.	169,249,662	99.9994	1,000	0.0006
<u>ORDINARY RESOLUTION 6</u>				
To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors from 31 August 2018 until the conclusion of the next AGM of the Company.	168,989,662	100	0	0.0000
<u>ORDINARY RESOLUTION 7</u>				
To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors of the Company and to authorize the Directors to fix their remuneration.	169,600,062	100	0	0.0000
<u>ORDINARY RESOLUTION 8</u>				
Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	10,684,462	99.9906	1,000	0.0094

AGENDA	FOR		AGAINST	
	No. of Shares	%	No. of Shares	%
<u>ORDINARY RESOLUTION 9</u> Proposed renewal of the authority for shares buy-back.	169,568,837	100	0	0.0000
<u>ORDINARY RESOLUTION 10</u> Proposed retention of Encik Azizan bin Mohd Noor as Independent Non-Executive Director.	167,223,962	98.5990	2,376,100	1.4010
<u>ORDINARY RESOLUTION 11</u> Proposed retention of Dato' Rosman bin Abdullah as Independent Non-Executive Director.	167,131,937	98.6025	2,368,725	1.3975
<u>SPECIAL RESOLUTION 12</u> Proposed adoption of a new Constitution of the Company in place of the existing Memorandum & Articles of Association	169,599,062	99.9994	1,000	0.0006

10. CLOSURE OF MEETING

The Chairman concluded the Meeting and thanked the members for their attendance and declared the Meeting closed.

The Meeting adjourned at 5.05 p.m. with a vote of thanks to the Chairman.