

United Malacca Berhad

(Company No. 1319-V)

Minutes of the 103rd Annual General Meeting held at the United Malacca Berhad Building, 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, Melaka on Friday, 25th August 2017 at 11.00 a.m.

PRESENT

DIRECTORS	Datin Paduka Tan Siok Choo	- Chairperson
	Tan Sri Dato' Ahmad	- Senior Independent Non-Executive Director
	Bin Mohd Don	- Independent Non-Executive Director
	Mr. Tan Jiew Hoe	- Non-Independent Non-Executive Director
	Mr. Teo Leng	- Independent Non-Executive Director
	Dato Dr. Nik Ramlah Binti Nik Mahmood	- Independent Non-Executive Director
	Mr. Ong Keng Siew	- Independent Non-Executive Director

SHAREHOLDERS 61 members (in person) and 14 members (represented by proxies)
[excluding Directors, CEO, CFO and CS]

<u>IN ATTENDANCE</u>	Mr. Peter Benjamin	- Chief Executive Officer
	Ms. Susan Lai Swee Kee	- Chief Financial Officer
	Ms. Yong Yoke Hiong	- Company Secretary
	Ms. Pang Poh Chen	- Company Secretary
	Mr. Arthur Lee Ah Too	- Auditor
	Encik Mohd Sophiee, Encik Aznal Abdul Majid and team	- Share Registrar

CHAIRMAN The Chairperson, Datin Paduka Tan Siok Choo chaired the meeting.

CHAIRMAN'S OPENING ADDRESS The Chairperson, Datin Paduka Tan Siok Choo, welcomed all members present and introduced two new members of the Board to shareholders present, namely; Dato Dr. Nik Ramlah Binti Nik Mahmood and Mr. Ong Keng Siew.

QUORUM The Chairperson, having satisfied that a quorum as prescribed by Article 72 of the Company's Articles of Association was present, declared the meeting duly convened.

PROXIES The Company Secretary informed the meeting that the Chairperson, Datin Paduka Tan Siok Choo and the Director, Mr. Tan Jiew Hoe have been appointed as proxy to vote on behalf of shareholders in relation to the following number of shares:-

Datin Paduka Tan Siok Choo - 48,254,442 shares
Mr. Tan Jiew Hoe - 69,145 shares

NOTICE

With the unanimous consent of all members present, the Chairperson declared that the Notice convening the meeting together with the compact disk containing the Group's Audited Financial Statements for the year ended 30th April 2017 and the Reports of the Directors and Auditors thereon be taken as read.

POLL VOTING

The Chairperson informed that in line with the Main Market Listing Requirements by Bursa Malaysia Securities Berhad, all the resolutions put to the meeting would be voted by way of poll. The polling process would be conducted after deliberations of all items on the Agenda of meeting.

AGENDA 1

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH APRIL 2017 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

1.0.0

The Chief Executive Officer briefed the meeting via a PowerPoint presentation on the Group's performance, activities as well as the new plantation, PT Lifere Agro Kapuas (LAK) in Kalimantan. The CEO in his briefing covered the following:-

- the Group's major shareholders, location of estates and mills, pictorial images of estates in Sabah and LAK.
- the Group's performance including planted areas, age profile, ffb output and yield, 5 years' CPO & PK prices, flooding in estates, dry weather mitigation projects, production cost and manpower.
- the Group's net profit correlation to CPO prices for 5 financial years, earnings per shares and UMB share prices.
- operational, safety and health trainings, sustainability and corporate social responsibility activities.
- Type of other crops for diversification.

1.1.0

The CEO also presented the responses (Appendix I) of the Company to questions raised by MSWG via a PowerPoint presentation for the benefit of the shareholders present at the meeting.

1.2.0

All shareholders' queries were explained by the Chairperson and Management.

1.3.0

With no other questions raised, the Chairperson declared that the Audited Financial Statements for the financial year ended 30th April 2017 together with the Reports of the Directors and Auditors thereon were tabled and received in the meeting.

AGENDA 2

APPROVAL FOR PAYMENT OF DIRECTORS' REMUNERATION (EXCLUDING DIRECTORS' FEES) FOR THE FINANCIAL YEAR ENDING 30TH APRIL 2018 ON QUARTERLY BASIS IN ARREARS

- 2.0.0 The Chairperson explained to the shareholders that the new Companies Act 2016 under Section 230(1) provides amongst others, the fees of directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. At this meeting, the Board would sought shareholders' approval to pay Directors' remuneration comprising fees for the Board Committees as well as meeting attendance fees up to an aggregate amount of RM420,000 to non-Executive Directors for the period from 1st May 2017 until the next Annual General Meeting.
- 2.1.0 The motion set out as Resolution No. 1 which read as "That approval be hereby given to the Company to pay Directors' remuneration (excluding Directors' fees) up to an aggregate amount of RM420,000 to Non-Executive Directors for the period commencing from 1st May 2017 until the next Annual General Meeting of the Company on quarterly basis in arrears after each quarter of completed service." was put to vote by way of poll.
- 2.2.0 The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
54,340,968	75.76	17,386,800	24.24	0

AGENDA 3

RE-ELECTION OF TAN SRI DATO' AHMAD BIN MOHD DON AS DIRECTOR OF THE COMPANY

- 3.0.0 The motion set out as Resolution No. 2 which read as "That Tan Sri Dato' Ahmad Bin Mohd Don, the Director retiring by rotation in accordance with Article 118 of the Company's Articles of Association be hereby re-elected a Director of the Company." was put to vote by way of poll.
- 3.1.0 The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
59,245,018	100.00	0	0.00	12,482,750

AGENDA 4

RE-ELECTION OF MR. TEO LENG AS DIRECTOR OF THE COMPANY

4.0.0

The motion set out as Resolution No. 3 which read as “That Mr. Teo Leng, the Director retiring by rotation in accordance with Article 118 of the Company’s Articles of Association be hereby re-elected a Director of the Company.” was put to vote by way of poll.

4.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,650,768	100.00	0	0.00	77,000

AGENDA 5

ELECTION OF DATO DR. NIK RAMLAH BINTI NIK MAHMOOD AS DIRECTOR OF THE COMPANY

5.0.0

The motion set out as Resolution No. 4 which read as “That Dato Dr. Nik Ramlah Binti Nik Mahmood, the Director retiring in accordance with Article 124 of the Company’s Articles of Association be hereby elected a Director of the Company.” was put to vote by way of poll.

5.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,727,768	100.00	0	0.00	0

AGENDA 6**ELECTION OF MR. ONG KENG SIEW AS DIRECTOR OF THE COMPANY**

6.0.0

The motion set out as Resolution No. 5 which read as “That Mr. Ong Keng Siew, the Director retiring in accordance with Article 124 of the Company’s Articles of Association be hereby elected a Director of the Company.” was put to vote by way of poll.

6.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,727,768	100.00	0	0.00	0

AGENDA 7**RE-APPOINTMENT OF AUDITORS**

7.0.0

The motion set out as Resolution 6 which read as “That Messrs Ernst & Young be and are hereby re-appointed as Auditors of the Company at a remuneration to be determined by the Directors and to hold office until the conclusion of the next Annual General Meeting.” was put to vote by way of poll.

7.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,699,768	99.96	28,000	0.04	0

AGENDA 8**APPROVAL FOR TAN SRI DATO’ AHMAD BIN MOHD DON TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

8.0.0

The motion set out as Resolution No. 7 which read as “THAT approval be and is hereby given to Tan Sri Dato’ Ahmad Bin Mohd Don who has served as Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue act as an Independent Non-Executive Director of the Company.” was put to vote by way of poll.

8.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,615,118	99.99	2,000	0.01	110,650

AGENDA 9

APPROVAL FOR MR. TAN JIEW HOE TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

9.0.0

The motion set as Resolution 8 which read as “THAT approval be and is hereby given to Mr. Tan Jiew Hoe who has served as Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue act as an Independent Non-Executive Director of the Company.” was put to vote by way of poll.

9.1.0

The Chairperson declared the motion **carried** based on the following poll result:-

In Favour		Against		Abstained
No. of shares	%	No. of shares	%	No. of shares
71,299,848	99.99	2,000	0.01	425,920

CONDUCT OF POLL VOTING

Symphony Share Registrars Sdn. Bhd. and Symphony Corporatehouse Sdn. Bhd. have been appointed to act as the Poll Administrator and the Independent Scrutineer respectively.

The Poll Administrator briefed the meeting on the polling procedures prior to the casting of votes by shareholders and proxies.

DECLARATION OF POLL RESULTS

The Chairperson declared the results of the poll for the motions put to vote by way of poll based on the Independent Scrutineer's Report for the poll conducted.

CONCLUSION

There being no other business, the Chairperson called the meeting to a close. The meeting ended at 1.00 p.m. with a vote of thanks to the Chair.

Confirmed Correct

Date: 19 September 2017

Datin Paduka Tan Siok Choo
Chairperson

Minority Shareholder Watchdog Group in relation to UMB's Annual General Meeting on 25 August 2017

Financial & Strategic

- Q1. On 29 July 2016, the Company entered into a Memorandum of Understanding ("MOU") with Adhi Indrawan and Kartika Dianningsih Antono with the intention of establishing a joint venture arrangement with PT Bintang Gemilang Permai ("BGP"), which holds 99.9% equity interest in PT Wana Rindang Lestari ("WRL"), which in turn holds a concession right to develop about 59,920 hectares of land within an industrial plantation forest area in Central Sulawesi. Market studies on various crops have been completed while the financial and legal due diligence are still on-going.
- (a) Based on the results of the market studies on various crops that have been completed, has the Board decided on the crops that could be cultivated on the land to be developed by the proposed joint venture? If yes, could the Board share the details?

Answer:

With the completion of the market studies, the proposed crops are stevia, coconut, cocoa and coffee. The reason for the selection of these crops are due to strong demand in Malaysia and Indonesia going forward, short growing maturity (less than 3 years for cocoa, coconut and coffee while stevia matures in 3 months, and attractive profit margins.

- (b) Any target date for completion of the due diligence?

Answer:

We are in the final stretch of the negotiations. A decision was made to negotiate the shareholders' agreement simultaneously with the Conditional Sale and Purchase Agreement. A decision whether to proceed with the JV will be made within the next month.

- Q2. Labour shortage and escalating cost of recruiting foreign workers are pressing issues faced by plantation companies. The issues have cost some companies millions of Ringgit in lost revenue.

- (a) How critical was the labor shortage issue in the Company and was there any loss of revenue in FY2017 due to shortage of labour?

Answer:

The labour shortage is critical in the plantation industry. To mitigate the risk, the company implemented mechanization over the last two years and this has helped to overcome the labor issues. There was no loss in revenue since we were able to mitigate this with mechanization.

- (b) What is the current percentage of foreign workers to the total workers in the Group? Would the percentage of foreign workers expected to decline in the coming years?

Answer:

Total manpower as at 31 July 2017.

	Malaysian Operation	%
Local workers	452	19%
Foreign workers	1,964	81%
	2,416	100%

- Q3. We noted that both the FFB yield and the OER of the Company are in declining trends for the past five years.

- (a) Besides weather, were there any other factors that had caused the FFB yield and OER of the Company?

Answer:

The decline in FFB and OER is associated with the severe dry spell over the last 2 years. Severe dry weather affected OER by reducing oil content in fresh fruit bunches. We expect the effect of the dry weather to taper off during the 2nd half of the calendar year.

- (b) With the continuous effort to improve the yields and the OER, coupled with the implementation of various measures to mitigate the negative impact of the dry spell, would the FFB yield and the OER of the Company expected to improve in FY 2018 and beyond?

Answer:

With the oil palms emerging from the impact of the dry weather, we will see better results in FY 2018. We expect a 10% increase in production for the Malaysian operations and a 5% improvement for the Indonesian operations compared to the previous year. Long-term measures are being put in place to improve yields and OER as well as to mitigate the negative impact of severe dry spells; UMB will see improved results in the coming years.

- Q4. As at 30 April 2017, the Group has an investment in income trust fund and quoted shares amounted to RM48.4 million and RM22.8 million respectively.
- (a) What was the average rate of return from these investments in the last three years?

Answer:

The Company placed surplus cash in unit trust fund due to better return as the income received is free of income tax. Compared with fixed deposit placement, interest income is subject to 24% income tax. UMB's investments in quoted shares are carried out by professional fund managers of two asset management companies in Malaysia – Kenanga Investors Berhad and Affin Hwang Asset Management Berhad.

The average return for the last three years:

	FY2017	FY2016	FY2015
Investment in income trust fund	3.34%	3.69%	3.55%
• Net of tax			
Investment in quoted shares	16.00%	1.76%	8.89%

- (a) Could the Board share the decision making process, including the committee members involved for these investment?

Answer:

Investment proposals may be initiated by either a director or management. In both cases, management will study the proposal and submit its views to the Board of Directors for consideration and approval. For these investments, UMB directors operate on the basis of consensus. This means if a single director objects to the proposed investment, the board won't proceed with the investment.