

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

EXTRACT of the **MINUTES** of the **29th Annual General Meeting** {AGM} of **IJM PLANTATIONS BERHAD (133399-A)** held at the Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 22 August 2014, at 3.00 p.m.

DIRECTORS & SECRETARY PRESENT:-

1. Tan Sri Dato' Wong See Wah, *Independent Non-Executive Chairman*
2. Joseph Tek Choon Yee, *Chief Executive Officer & Managing Director ("CEO&MD")*
3. Purushothaman a/l Kumaran, *Chief Financial Officer & Executive Director ("CFO&ED")*
4. M. Ramachandran a/l V.D. Nair, *Senior Independent Non-Executive Director ("MRC")*
5. Pushpanathan a/l SA Kanagarayar, *Independent Non-Executive Director*
6. Tan Sri Dato' Tan Boon Seng @ Krishnan, *Non-Executive Director*
7. Dato' Teh Kean Ming, *Non-Executive Director*
8. Ng Yoke Kian, *Company Secretary*

MEMBERS AND PROXIES PRESENT:

61 members and 51 proxies (excluding Directors and Secretary)

As 22 August 2014 was the National Day of Mourning for the victims of the MH17 tragedy, a moment of silence was observed at the meeting.

1.0 AUDITED FINANCIAL STATEMENTS

Before considering the 2014 Audited Financial Statements, the Chairman requested the CEO&MD to present to the meeting a brief on the Group's activities, performance and outlook for the financial year 2014. The CEO&MD in his briefing covered the following:-

- a) outlook for financial year 2015;
- b) the Group's performance including estate crop production, palm product extractions, oil yield and financial performance;
- c) business strategy for Malaysian and Indonesian operations; and
- d) activities and/or initiatives carried out by the Group under four (4) sustainability pillars, namely productivity & innovations, care for environment, investor in people and returning to community.

The CEO&MD also presented the responses (Annexure I) of the Company to questions raised by the Minority Shareholder Watchdog Group *vide* letter dated 13 August 2014 in relation to the strategy, operations, research and development and financial performance of the Group.

After the presentation of the CEO&MD, the Chairman invited questions and comments from the floor in connection with the 2014 Audited Financial Statements and the presentation, and the questions were responded by the CEO&MD and/or CFO&ED accordingly (Annexure II).

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

The audited financial statements for the year ended 31 March 2014, Directors' Report and Statement together with the Independent Auditors' Report thereon were received, following the completion of the clarifications to members in connection with the audited financial statements.

2.0 POLL VOTING

The Chairman informed that all the resolutions to be considered at the meeting would be put to vote by poll, as stated in Note 6 of the Notice of the AGM dated 30 July 2014, in line with the recommendation of the Malaysian Code on Corporate Governance 2012.

Poll voting on the resolutions would be conducted concurrently by Tricor Investor Services Sdn Bhd, the appointed Official Independent Scrutineers.

3.0 ELECTION OF DIRECTORS

- 3.1 It was resolved that Mr M. Ramachandran A/L V. D. Nair be reappointed as Director and shall continue in office until the conclusion of next Annual General Meeting in compliance with Section 129(6) of the Companies Act, 1965.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	456,572,749	99.97
Votes AGAINST	<u>119,000</u>	<u>0.03</u>
	<u>456,691,749</u>	<u>100.00</u>

ABSTAIN : 112,751,362 shares

Prior to voting on the resolution, members were informed that 80% (455 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, 0.02% (119,000 shares) against. Members were also informed that the retirement of Mr M. Ramachandran A/L V. D. Nair under Section 129 of the Companies Act, 1965 requires not less than three-fourth of the consent of members present and voting.

- 3.2 It was resolved that Joseph Tek Choon Yee be reappointed as Director.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	569,441,611	100.00
Votes AGAINST	<u>-</u>	<u>-</u>
	<u>569,441,611</u>	<u>100.00</u>

ABSTAIN : 1,500 shares

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

Prior to voting on the resolution, members were informed that 100% (567.4 million shares) of the total votes received from members appointing proxies have indicated support for the resolution.

3.3 It was resolved that Dato' Teh Kean Ming be reappointed as Director.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	569,316,111	99.98
Votes AGAINST	<u>119,000</u>	<u>0.02</u>
	<u>569,435,111</u>	<u>100.00</u>

ABSTAIN: 8,000 shares

Prior to voting on the resolution, members were informed that 99.98% (567.3 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 0.02% (119,000 shares) against.

4.0 APPOINTMENT OF AUDITORS

It was resolved that PricewaterhouseCoopers be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

The poll was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	569,441,611	100.00
Votes AGAINST	<u>-</u>	<u>-</u>
	<u>569,441,611</u>	<u>100.00</u>

ABSTAIN: 1,500 shares

Prior to voting on the resolution, members were informed that 100% (567.4 million shares) of the total votes received from members appointing proxies have indicated support for the resolution.

5.0 DIRECTORS' FEES

It was resolved that the Directors' fees of RM630,000 for the year ended 31 March 2014 be approved to be divided amongst the Directors in such manner as they may determine.

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	569,441,486	100.00
Votes AGAINST	<u>125</u>	<u>-</u>
	<u>569,441,611</u>	<u>100.00</u>

ABSTAIN: 1,500 shares

Prior to voting on the resolution, members were informed that 99.99% (567.4 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 150 shares against.

6.0 AUTHORITY TO ISSUE SHARES UNDER SECTION 132D

It was resolved that the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act 1965, to allot and issue not more than ten percent (10%) of the issued share capital of the Company at any time, upon such terms and conditions and for such purposes as the Directors in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force, and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	456,402,799	80.15
Votes AGAINST	<u>113,036,712</u>	<u>19.85</u>
	<u>569,439,511</u>	<u>100.00</u>

ABSTAIN: 3,600 shares

Prior to voting on the resolution, members were informed that 80% (455 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 20% (113 million shares) against.

7.0 PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

It was resolved that the Directors be and are hereby authorised to purchase the ordinary shares of the Company through the stock exchange of Bursa Malaysia Securities Berhad at any time upon such terms and conditions as the Directors in their absolute discretion deem fit provided that:-

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

- i) the aggregate number of shares purchased (which are to be treated as treasury shares) does not exceed ten per cent (10%) of the issued capital of the Company; and
- ii) the funds allocated for the purchase of shares shall not exceed its retained profits and share premium account;

and that the Directors be and are hereby further authorised to deal with the treasury shares in their absolute discretion (which may be distributed as dividends, resold and/or cancelled)

and that such authority shall continue to be in force until:-

- a) the conclusion of the next Annual General Meeting (“AGM”);
- b) the expiration of the period within which the next AGM is required by law to be held; or
- c) revoked or varied in a general meeting;

whichever occurs first.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	569,324,337	99.98
Votes AGAINST	<u>103,950</u>	<u>0.02</u>
	<u>569,428,287</u>	<u>100.00</u>

ABSTAIN: 14,824 shares

Prior to voting on the resolution, members were informed that 99.9% (567.4 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 50 shares against.

8.0 TERMINATION

There being no other business, the meeting was terminated at 5.10 p.m. with a vote of thanks to the Chair.

Reply to the enquiries from Minority Shareholder Watchdog Group *vide* letter dated 13 August 2014

Q1 : The Group achieved record revenue of RM646.98 million, up 33% from the previous year's RM486.28 million. However, the Group pre-tax profit dropped to RM109.08 million from RM156.61 million due to higher cost of sales and increased finance costs.

What would be the Board's strategic measures to improve the Group productivity and profitability which are essential to boost its earnings per share, return on total assets and return on equity which had since dropped over the past four financial years?

A1 : As a price taker in commodity industry, the profitability of the Group is very much dependent on the CPO price. CPO price has been on the downtrend since FY2012 as reported on page 7 in the Annual Report. In addition, there were significant increase in young mature areas in the Indonesian operations which incur full fixed plantation maintenance and overhead costs set against start-up crop yields. Profitability for FY14 was also impacted by the unrealised foreign exchange losses as reported in the Annual Report.

The Malaysian operations continue to achieve high productivity. As a strategic measure, the Group remains focused and committed to complete its Indonesian expansion project towards enhancing shareholders value in the long-term. As at close of FY14, its Indonesian operations had achieved planted area of more than 30,000 Ha. As more areas in the Indonesian operations come into maturity and move into prime age, the Group's productivity and profitability are expected to improve in the coming years. However, anticipated uncertainties in respect of CPO prices and foreign exchange rates would impact the Group's profitability.

Q2 : Given the Group replanting policy and expansion plan of its plantation are much focused on its Indonesian operations, what are the respective areas of the Group unplanted lands in terms of hectares in Malaysia and Indonesia respectively?

A2 : The Group's unplanted lands in Malaysia and Indonesia as at 31 March 2014 are in the region of 700 hectares and 5,000 hectares respectively.

Q3 : The CEO's Review of Operations reported the Group continued collaboration with ACGT Sdn Bhd (ACGT) and Genting Green Tech Sdn Bhd (Genting Green Tech), subsidiaries of Genting Plantations Berhad to undertake research and development (R&D) projects in relation to oil palm biotechnology.

Given the long term nature of the Group continued collaboration with ACGT and Genting Green Tech, how much would the continued collaboration cost the Group and what are the terms and conditions of the arrangement with respect to the share of technology, intellectual capital and commercialisation if any, attributed to the R&D projects?

A3 : In adhering to the agreements, the Group cannot disclose the terms and conditions of the collaboration. It has been highlighted in the CEO's Review of Operations on page 34 and under the Statement and Report on Marketplace on page 53 that the oil palm biotechnology collaboration involves an oil palm material transfer for marker validation and a high yield biomarker screening project. As such, the cost to the Group is not significant.

IJM PLANTATIONS BERHAD (133399-A)

29th AGM Minutes dd 22 August 2014

Q4 : Plantation expenditure of the Group and Company contains biological assets which are stated at cost or revalued amounts and are not amortised. On the other hand, replanting expenditure consists expenses incurred and recognised in the profit or loss for the year.

Could the Board explain the rationale why the biological assets are not identified separately but included in the plantation expenditure as stated under Note 16 to the accounts?

A4 : The Group has only one type of biological asset which is the plantation expenditure.

The basis of preparation of the financial statements is as per page 84 in the Annual Report. Other details are also covered under Property, Plant and Equipment, Depreciation and also Plantation Expenditure in pages 88 and 89.

Pertinent Questions and Answers at the Annual General Meeting

- Q1 Why the information of yield per mature hectare and oil yield for Indonesian Operations was not included in the 5-year Group Plantation Statistics of the Annual Report?
- A1 The information was not included as most of the areas in the Indonesian Operations are immature and still at the initial yielding stage, thus such information was not meaningful for the time being.
- Q2 A new bill to limit the foreign ownership of oil palm plantations to a maximum of 30% (from the current limit of 95%) is being proposed in Indonesia, does the Company intend to reduce its interest in the Indonesian plantation companies from 95% to 30%?
- A2 The new bill is just being proposed and it is premature to decide on the reduction of the Company's interest in Indonesian companies without adequate details of the new bill. However, Management will monitor the development of the proposed new bill before making any decision or taking any action.
- Q3 The fresh fruit bunches ("FFB") production in Indonesia for financial year 2014 was about 144,000 metric tons, which was 160% higher compared to the financial year 2013. What will be the projection for the current financial year 2015?
- A3 Given that more areas are coming into maturity and of prime age, the Company expects the FFB production to be significantly higher for the financial year ending 2015.
- Q4 Does the Ganoderma disease affect any of the Group's oil palm plantation?
- A4 Most of our plantings are the first generation palms and replanted area is nominal. As such, the Ganoderma disease is less apparent in the Group. There are no known cures for the disease so far. The spread of the disease is being mitigated through sanitation.
- Q5 What type of oil palm fertilizer does the Company use? In view of shortage of labour, does the Company apply slow release moisture fertilizer?
- A5 The Company uses compound fertilizer mainly imported from Norway and Finland and is satisfied with the product thus far. The Company did not use slow release alternatives as there were adequate labour for fertilizing activity.

- Q6 It is noted that significant research has been undertaken on the benefits of palm oil. One (1) of the breakthrough is the presence of Vitamin E in the palm oil. How does the Group participate and benefit from such development?
- A6 The Group is mainly an upstream player, while such research and/or development on vitamin E is a downstream activity. Through the supply chain, any progress and commercialization in this area will benefit the Group through the higher commodity prices.
- Q7 In view of Malaysia and Indonesia are the major oil palm producers for worldwide, both countries could collaborate to control the CPO price by way of supply control. Is there any collaboration between Malaysia and Indonesia to control the CPO prices so far?
- A7 Although Malaysia and Indonesia account for more than 80% global palm oil production, the control over the CPO prices by the two (2) countries is still remote and difficult. Malaysia has been trying to cooperate with Indonesia for the last ten (10) years on this issue but with very limited success.
- Q8 The Group borrowings had increased from RM512 million in 2013 to RM611 million in 2014 mainly due to USD borrowings for Indonesian Operations. What are the steps taken to control the increase of finance cost and the foreign exchange losses?
- A8 The Company has to borrow in US Dollar to fund the Indonesian Operations as the Bank Negara does not encourage Ringgit Malaysia denominated facility for overseas funding. In addition, the US Dollar is preferred as the interest rate was about 2% per annum compared to 13% per annum for Indonesian Rupiah borrowings. As the project that has been embarked upon is of a long term nature and should not be suspended due to changes in short term scenarios. Funds needed for the project have to be secured in line with the project timeline. The Group will continue to monitor the finance cost and exposure on the foreign exchange risk vigilantly.
- Q9 The CPO prices, the foreign exchange and the policies implemented by the Indonesian Government could affect the performance of the Group from time to time. Is there any plan by the Company to go downstream in order to protect the margins of the Group?
- A9 The Company is an upstream player and there is no economies of scale for downstream activities at this juncture. However, with the expansion into Indonesia, the Group may explore venturing into downstream activities with other parties.

Q10 Does the Company hedge against exchange rate risk?

A10 The Company does not hedge against exchange risk as in the longer term there is a natural hedge with the commodity predominantly being in US Dollar, similar to the currency of the borrowings. The foreign exchange losses reported are mainly unrealized arising from the fluctuations in the Indonesian currency.

Q11 Due to the uncertainty of the restriction of 30% foreign ownership of oil palm plantations in Indonesia, will the Company consider to list the Indonesian entities in order to comply with the Indonesian law?

A11 There are inadequate details with regard to the restriction of 30% foreign ownership. Listing or any other options can be considered only when more clarity is available on the matter. The Group will act accordingly to the best interest of shareholders.