

IJM PLANTATIONS BERHAD (133399-A)

30th AGM Minutes dd 21 August 2015

EXTRACT of the **MINUTES** of the **30th 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, 21 August 2015, 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*
5. Pushpanathan a/l S.A. Kanagarayar, *Independent Non-Executive Director*
6. Tan Sri Dato' Tan Boon Seng @ Krishnan [TSKT], *Non-Executive Director*
7. Dato' Soam Heng Choon, *Non-Executive Director*
8. Ng Yoke Kian, *Company Secretary*

MEMBERS AND PROXIES PRESENT:

59 members and 42 proxies (excluding Directors and Secretary)

1.0 AUDITED FINANCIAL STATEMENTS

Before considering the 2015 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 2015. The CEO&MD in his briefing covered the following:-

- a) the Group's 30 years journey from 1985 to 2015;
- b) the Group's performance including planted area, estate crop production, palm product extractions, oil yield and financial performance;
- c) outlook for financial year 2016;
- 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; and
- e) key strategies of the Group.

The CEO&MD also presented the responses (Annexure I) of the Company to questions raised by the Minority Shareholder Watchdog Group *vide* letter dated 14 August 2015 in relation to the strategy, operations 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 2015 Audited Financial Statements and the presentation, and the questions were responded by the CEO&MD, CFO&ED and/or TSKT accordingly (Annexure II).

The audited financial statements for the year ended 31 March 2015, 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.

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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 7 of the Notice of the AGM dated 30 July 2015.

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>
Voted FOR	494,728,328	99.98
Voted AGAINST	91,300	0.02
	<u>494,819,628</u>	<u>100.00</u>

ABSTAINED : 118,288,712 shares

Prior to voting on the resolution, members were informed that 82.50% (490 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, 0.02% (91,300 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 required not less than three-fourth of the consent of members present and voting.

- 3.2 It was resolved that Mr Purushothaman A/L Kumaran be reappointed as Director.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Voted FOR	598,250,290	99.99
Voted AGAINST	68,200	0.01
	<u>598,318,490</u>	<u>100.00</u>

ABSTAINED : 14,789,850 shares

Prior to voting on the resolution, members were informed that 99.93% (596 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, 0.01% (68,200 shares) against.

- 3.3 It was resolved that Dato' Soam Heng Choon be reappointed as Director.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Voted FOR	598,225,190	99.99
Voted AGAINST	91,300	0.01
	<u>598,316,490</u>	<u>100.00</u>

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ABSTAINED: 14,791,850 shares

Prior to voting on the resolution, members were informed that 99.93% (596 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 0.02% (91,300 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>
Voted FOR	613,107,490	99.99
Voted AGAINST	50	negligible
	<u>613,107,540</u>	<u>100.00</u>

ABSTAINED: 800 shares

Prior to voting on the resolution, members were informed that 99.99% (597 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 50 shares against.

5.0 RETENTION OF TAN SRI DATO' WONG SEE WAH AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr M. Ramachandran A/L V.D. Nair, the Senior Independent Non-Executive Director, took over the Chair for the resolution pertaining to the retention of Tan Sri Dato' Wong See Wah as an Independent Non-Executive Director.

Mr M. Ramachandran A/L V.D. Nair briefed the members that Tan Sri Wong has completed the nine (9) years tenure as an Independent Director on 16 August 2015. The Board was of the opinion that despite serving for more than nine years, Tan Sri Wong continued exercising strong independent judgement. He continued to seek clarification and expresses his views and debates issues objectively, besides challenging Management on important issues raised at various formal and informal meetings. Furthermore, the in-depth and up to date knowledge of the Group's business operations and business environment possessed by Tan Sri Wong has and would continue to enable him to discharge the role as an Independent Director effectively. The Board further recognised the benefits of the experience and stability brought by Tan Sri Wong due to his long-service on the Board.

It was resolved that Tan Sri Dato' Wong See Wah shall continue to serve as an Independent Non-Executive Director of the Company notwithstanding that his tenure as an independent director has exceeded a cumulative term of nine (9) years.

The poll was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Voted FOR	598,214,590	99.98
Voted AGAINST	103,800	0.02
	<u>598,318,390</u>	<u>100.00</u>

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ABSTAINED: 14,789,950 shares

Prior to voting on the resolution, members were informed that 99.94% (596 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and none against.

6.0 DIRECTORS' FEES

It was resolved that the Directors' fees of RM630,000 for the year ended 31 March 2015 be approved to be divided amongst the Directors in such manner as they may determine.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Voted FOR	613,096,990	99.99
Voted AGAINST	10,050	negligible
	<u>613,107,040</u>	<u>100.00</u>

ABSTAINED: 800 shares

Prior to voting on the resolution, members were informed that 99.99% (597 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 50 shares against.

7.0 AUTHORITY TO ISSUE SHARES UNDER SECTION 132D

In relation to the renewal of general mandate to issue not more than 10% of the issued share capital of the Company, the Chairman explained that the renewal of general mandate was for purposes of funding future investment projects, working capital and acquisitions would provide flexibility and avoid any unnecessary delay and cost in convening a general meeting for such issuance of shares should the need arise. The Company would make an announcement accordingly, of the actual purpose and utilisation of proceeds should there be a decision to issue new shares. The approval of the relevant authorities would be still required before any share could be issued by the Company.

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>
Voted FOR	494,682,678	82.63
Voted AGAINST	103,975,212	17.37
	<u>598,657,890</u>	<u>100.00</u>

ABSTAINED: 14,449,950 shares

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Prior to voting on the resolution, members were informed that 82.60% (493 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 17.40% (104 million shares) against.

8.0 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:-

- 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>
Voted FOR	612,993,940	99.98
Voted AGAINST	<u>103,850</u>	<u>0.02</u>
	<u>613,097,790</u>	<u>100.00</u>

ABSTAIN: 10,550 shares

Prior to voting on the resolution, members were informed that 99.99% (597 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and 50 shares against.

9.0 TERMINATION

There being no other business, the meeting was terminated at 5.15 p.m. with a vote of thanks to the Chair.

Reply to the enquiries from Minority Shareholder Watchdog Group *vide* letter dated 14 August 2015

1. Based on the Plantation Statistics on Page 6 of the Annual Report, contributions from Indonesian operations to the bottom line of the Group is expected to be significant in coming years.

Could the Board provide the following statistics or information in respect of the Indonesian operations:-

- a) Land size of the unplanted land and the planting programme for the said land.

From the total leasehold land and location permits that the Group has, as shown in the List of Properties on Page 161 of the Annual Report, Management estimates that the balance of the unplanted land is approximately 4,000 hectares. It is expected that this land would be planted over the next 2 to 3 years.

- b) Estates that would reach maturity and the young palms that would turn to prime production age in FY2016?

As can be seen in the Plantations Statistics on Page 6 of the Annual Report, approximately 6,100 hectares were planted between FY2012 and FY2013. These plantings should come into maturity in FY2016.

With regards to young palms that would turn to prime production age (i.e. 8 years), none of the new plantings would attain this in FY2016 as the first planting in the Indonesian operations took place in January 2009. (Note: The prime age plantings as stated in the Plantation Statistics on Page 6 of the Annual Report is pertaining to the planted areas that were acquired).

- c) Expected FFB and crude palm oil production in FY2016?

The Group expects higher crop production from the increasing young mature area in Indonesia and sustained FFB yield in the Malaysian operations.

2. The revaluation of property, plant & equipment and plantation expenditure of the Group was done way back in 1997.

Could the Board share with the Shareholders on the Group's asset revaluation policy and when would be the next revaluation exercise?

The Group does not have an asset revaluation policy. As disclosed in Note 14 of the Financial Statements on Page 131 of the Annual Report, the Board has applied the transitional provisions of International Accounting Standards 16, which allows these assets to be stated at their last revalued amounts less accumulated depreciation.

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3. We noted that there was an interest free receivables from non-controlling interests amounted to RM21.048 million as at 31 March 2015 which is secured over the related shares held by the non-controlling interest.

a) What is the rationale for not charging interest on the receivables from the non-controlling interests?

The receivables from non-controlling interests are operational in nature in furtherance of our Indonesian business operations. This is disclosed in Note 19 (b) part (v) of in Financial Statements on Page 139 of the Annual Report. The amounts are secured over the related shares held by the non-controlling interests.

b) What are the shareholders' fund, earning per share and net tangible assets per share of the subsidiaries involved as at 31 March 2015?

The plantation business is managed as a group. Subsidiaries are not monitored individually by parameters such as shareholders' fund, earnings per share and net tangible assets per share. Reference can, however, be made to Note 33 of the Financial Statements on pages 153 to 155 of the Annual Report for the segmental performance and the assets and liabilities attributable to the Indonesian operations.

4. As mentioned in the Chairman's Statement, the performance of the Group for FY2015 was impacted by a net unrealised foreign exchange loss of RM51.36 million resulting from the translation of the US Dollar denominated borrowings.

In view that weakening of Ringgit may continue, what would be the measures taken by the Board to mitigate the impact of the Ringgit fall against US Dollar on the bottom line of the Group?

The Group borrowed in USD as a natural hedge against future crude palm oil revenues that are intrinsically referenced to USD as a commodity. By regulation, Bank Negara does not allow Ringgit borrowings for use in foreign territories, while borrowings in Rupiah attract high interest rates. Hedging against currency fluctuations would also prove exceedingly costly as the period of borrowings is meant for the long term. The foreign exchange losses recorded are unrealised and are currently non-cash in nature.

Pertinent Questions and Answers at the Annual General Meeting

- Q1 With reference to page 6 of the Annual Report, why there is a difference between the figures for fresh fruit bunches (“FFB”) productions of 273,071 metric tonnes and the FFB processed of 202,845 metric tonnes in Indonesia for the financial year (“FY”) 2015?
- A1 The figures were different as some of the FFB in Indonesia were sold to third party mill. The Group currently has only one (1) processing mill in Indonesia.
- Q2 Has the Malaysian operations attained full Malaysian Sustainable Palm Oil (“MSPO”) certification? What is the target date for the Indonesian operations to obtain full Indonesia Sustainable Palm Oil (“ISPO”) certification? Is there any plan for the Group to obtain Roundtable on Sustainable Palm Oil (“RSPO”) certification?
- A2 The Group has adopted a phased approach in its journey towards achieving sustainable palm oil certifications. It started with the local certification based on Malaysian Palm Oil Board’s Code of Practices in year 2009 for quality, food safety and sustainability. During the FY 2015, Desa Talisai Palm Oil Mill in Sabah had successfully achieved both the International Sustainability Carbon Certification (ISCC) and MSPO certifications. The Indonesian operations have embarked the ISPO certification since year 2013 as it is mandatory, and is currently undergoing the audit for all its operating units. Going forward, the Group will move into RSPO certification in FY 2017.
- Q3 It was recently reported that Norges Bank Investment Management has excluded IJM Corporation Berhad, the holding company of the Company, from its investments due to risks of severe environmental damage in connection with the Company’s conversion of tropical forest into oil palm plantations. What measures the Company will be taking to address the exclusion?
- A3 Norwegian Government Pension Fund – Global (“NGPFG”) has been targeted by non-governmental organisations that expressed concerned over NGPFG’s investment in the palm oil sector and other sectors responsible for deforestation and environmental impacts. As a result, NGPFG has divested gradually from such companies and had divested 23 palm oil companies in 2012. It is a perception of Norges Bank Investment Management on the environmental practices adopted by the Group which resulted in the divestment. The Company will continue to emphasise on best environmental practices and embark its journey towards achieving sustainable palm oil certifications.
- Q4 The FFB production for FY 2015 of about 273,071 metric tonnes in Indonesia, which was 89% higher than the FY 2014, was considered good. However, the FFB production of about 589,384 metric tonnes in Malaysia, which was only 0.7% higher than the FY 2014, was considered flat. What will be the projection for the FY 2016?
- A4 Given that more areas coming into maturity and of prime age, the Group expects the FFB production in Indonesia to be significantly higher for the FY 2016. However, the El Nino effects are expected to have a negative impact on the FFB production for Sabah operations.

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- Q5 In relation to the joint venture between the Company and KL-Kepong Plantation Holdings Sdn Bhd (“KLK”) for establishing a palm oil refinery in Indonesia, please indicate the location and capacity of the refinery? It is good for the Company to consider downstream activity.
- A5 As the Group did not have the economy of scale and the knowhow of refinery operations, it is now exploring and working with KLK on the establishment of the palm oil refinery in East Kalimantan. The refinery capacity of the joint venture is about 1,000 metric tonnes. The joint venture is currently in the process of getting the necessary approvals, including the jetty approval, from the relevant authorities in Indonesia.
- Q6 The Group has embraced sports excellence among the youths through rugby. Will the Group set a Key Performance Indicator (KPI) for the Malaysian rugby team to attain the standard of New Zealand All Blacks rugby team?
- A6 The current aim of the rugby team is to achieve a better standing in the Asia region. The Group would continue developing and encouraging sports in particular at the grassroots level to promote team work, to raise physical fitness, to instill the spirit of friendship and unity among the people.
- Q7. Does the Company has any intention to go into downstream activities?
- A7 As explained earlier, the Group did not have the economy of scale and the knowhow of refinery operations. However, the Group is now exploring with KLK on the establishment of a palm oil refinery in East Kalimantan.