

JAYA TIASA HOLDINGS BERHAD

(Company No. 3751-V)
(Incorporated in Malaysia)

SUMMARY OF PROCEEDINGS OF THE 58TH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE AUDITORIUM, GROUND FLOOR, NO. 62, LORONG UPPER LANANG 10A, 96000 SIBU, SARAWAK ON WEDNESDAY, 28 NOVEMBER 2018 AT 9.00 A.M.

PRESENT : BOARD OF DIRECTORS

Gen Tan Sri Abdul Rahman bin Abdul Hamid (Rtd) - Chairman
Dato' Sri Tiong Chiong Hoo – Deputy Executive Chairman
Dato' Wong Sie Young – Chief Executive Officer
Dato' Sri Dr. Tiong Ik King
Mdm Tiong Choon
Mr. Tiong Chiong Hee
John Leong Chung Loong - Chairman of the Remuneration Committee
Dato' Wong Lee Yun - Chairman of the Audit and Nominating Committees

OTHERS

Senior management, company secretary, external auditors, independent scrutineer, members, proxies and corporate representatives.

1 ADMINISTRATIVE

The Chairman informed the members that pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia, all resolutions set out in the notice of the 58th Annual General Meeting (AGM) would be voted by poll. The Chairman exercised the right to demand pursuant to Article 61 of the Company's Articles of Association that poll be taken on all the ordinary resolutions set out in the Notice of the AGM. The Chairman further informed that pursuant to Article 64 of the Company's Articles of Association, on a poll, every member shall have (1) vote for every share he holds.

The Company had appointed Anna Lu & Co as the Independent Scrutineer to verify and validate the poll results.

The poll results of all the resolutions would be announced at the end of the meeting after every resolution have been voted upon.

2 SUMMARY OF KEY MATTERS DISCUSSED

Laying of the Audited Financial Statements for the Financial Year Ended 30 June 2018 together with the Directors' and Auditors' Reports Thereon

The Chairman informed that Agenda 1 on the Audited Financial Statements for the year ended 30 June 2018 together with the Directors' and Auditors' Reports thereon were tabled at the Meeting for discussion only and voting was not required under Section 340 of the Companies Act 2016.

Prior to the meeting, the Minority Shareholders Watch Group (MSWG) had via its letter dated 22 November 2018 submitted their questions to the Company relating to (i) Strategy &

Financial Matters of the Group; and (ii) Corporate Governance issues. Details of the questions and answers marked as Appendix I attached were presented to the members present at the meeting via power point.

Key matters discussed during the questions-and-answers session between the shareholders and the Management were attached as Appendix II.

Following the conclusion of the questions-and-answers session, the Chairman announced that the Audited Financial Statements for the year ended 30 June 2018 together with the Directors' and Auditors' Reports thereon laid before the Meeting in compliance with Section 244(2)(a) of the Companies Act 2016 were duly received.

3 OTHER BUSINESS

The Company had not received any notice for transacting any other business.

4 POLL RESULTS

Based on the poll results verified and validated by the Independent Scrutineer, the Chairman declared that all the Resolutions tabled at the Meeting were **CARRIED**. Details of the poll results were as follows:-

	For		Against		Abstained
	No. of Shares	%	No. of Shares	%	No. of Shares
ORDINARY BUSINESS					
<u>Resolution 1</u>					
Declaration of Final Dividend	355,389,965	100.00	0	0	0
<u>Resolution 2</u>					
Re-election of Dato' Sri Dr Tiong Ik King as Director	355,367,565	99.99	22,400	0.01	0
<u>Resolution 3</u>					
Re-election of Mdm Tiong Choon as Director	355,367,565	99.99	22,400	0.01	0
<u>Resolution 4</u>					
Approval of Directors' Fees	355,344,029	100.00	0	0	45,936
<u>Resolution 5</u>					
Approval of Directors' Benefits	355,318,629	99.99	25,400	0.01	45,936
<u>Resolution 6</u>					
Re-appointment of Messrs. Ernst & Young as Auditors	355,389,965	100.00	0	0	0

	For		Against		Abstained
	No. of Shares	%	No. of Shares	%	No. of Shares
SPECIAL BUSINESS					
<u>Resolution 7</u>					
Continuing in office of Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) as Independent Director	355,364,250	99.99	25,715	0.01	0
<u>Resolution 8</u>					
Continuing in office of Mr John Leong Chung Loong as Independent Director	355,367,250	99.99	22,715	0.01	0
<u>Resolution 9</u>					
Continuing in office of Dato' Wong Lee Yun as Independent Director	355,367,250	99.99	22,715	0.01	0
<u>Resolution 10</u>					
Authority for the Company to purchase its own shares	355,389,965	100.00	0	0	0
<u>Resolution 11</u>					
Shareholders' Mandate for Recurrent Related Party Transaction	249,895,280	99.99	315	0.01	105,494,370

5 CONCLUSION

The Meeting concluded at 10.50 a.m. with a vote of thanks to the Chair.

RESPONSES TO MSWG'S QUERIES

Strategy / Financial

Q1 As stated in the Management Discussion And Analysis (MD&A) on page 8 of the Annual Report, profit before tax of the Group dropped by 140% to a loss of RM19.9 million for FY2018 from RM50.0 million profit in the previous year. This is partly due to an impairment loss of RM30.1 million on investment in Rimbunan Sawit Bhd ("RSB") equity which was accounted for as available-for-sale financial asset. The impairment loss was recognized due to the significant or prolonged decline in fair value below cost.

(a) What is the carrying amount of the investment in RSB as at 30 June 2018 after the provision of the impairment loss of RM30.1 million?

JTH's Response

The carrying amount as at 30 June 2018 is RM39.9 million.

(b) To what extent does the Company have control over the operations of RSB?

JTH's Response

We do not exercise management control as our shareholding percentage in RSB is 9.87%.

(c) In view of the significant or prolonged decline in fair value of the investment, what is the Board's view on the outlook of RSB and what is the plan for this investment, moving forward?

JTH's Response

Overall the market for oil palm is depressed which affects all oil palm based companies including RSB. We are hopeful the market will recover in the longer term.

Q2 As shown in Note 22(b) and 22(c) to the Financial Statements on page 109 of the Annual Report, the interest rate on the amount due from subsidiaries is 4% and the amount due from associate is non-interest bearing.

(a) What is the rationale and justification to provide non-interest bearing advances to associate when the subsidiaries are charged with 4% interest?

JTH's Response

We engaged the associate company as our heli-logging contractor. The company has ceased operation and been dormant since Year 2002.

(b) Given that the associate is dormant, what is the probability of recovering the outstanding amount?

JTH's Response

The probability of recovering the outstanding amount is negligible as the associate is insolvent. Full provision for impairment has been made since 2002.

Q3 From Note 32 to the Financial Statements on related party transactions on page 119 of the Annual Report, we note a significant sale of crude palm oil (CPO) to Borneo Edible Oil Sdn Bhd amounting to RM314.8 million for the first year. This represents approximately 60% of the Group's sale of CPO, palm kernel and fresh fruit bunches of RM553.4 million.

(a) What is the total CPO sale for the Group in FY2018?

JTH's Response

Total CPO sales is RM423 million.

(b) What is the rationale and benefits compared to the risks to the Group in selling CPO to a single large related party customer instead of other unrelated customers?

JTH's Response

Previously we only sold to one single third party buyer. In FY2018, we sold to two buyers, Wilmar and Borneo Edible Oil Sdn Bhd (BEO) and this enabled us to diversify our customer base. The same pricing based on MPOB monthly pricing was offered by both parties.

(c) Given that the financial performance of the company is largely dependent on the CPO market prices which is highly volatile and uncontrollable, is the Company able to mitigate the volatility risk of the CPO prices using various hedging strategies in relations to the CPO sales to the related party?

JTH's Response

The Company will consider hedging whenever the opportunities arise as we have undertaken hedging in the past.

Q4 As shown on page 9 of the Annual Report, the utilisation rate in Daro Jaya CPO Mill dropped to 77% in FY2018 from 92% in FY2017. As explained on the same page, the reduction of utilization rate in Daro Jaya CPO Mill was due to the sale of FFB to third parties.

(a) What is the rationale for selling the FFB to third parties when the Group has sufficient capacity to process them?

JTH's Response

Our priority is to process all fruits at our own mills. We only sell our fruits to third parties due to unscheduled downtime.

(b) What is the production cost per MT for Daro Jaya CPO Mill in FY2018 and FY2017?

JTH's Response

The processing cost per MT of FFB was RM50 in FY2017 and RM57 in FY2018. The increase in cost was due to lower utilization rate resulting from the unscheduled downtime.

(c) What would be the impact to the Group's bottom line if the FFB were to be processed in the Company's own mill instead of selling the FFB to third parties for processing?

JTH's Response

As mentioned in 4(a), our priority is to process fruits at our own mills. From the Group's point of view, higher mill utilization rate will reduce production cost which will contribute to our profitability.

Q5 From the Segment Information on page 135 of the Annual Report, we note that the revenue contribution from Logs Trading declined to 10% from the 22% recorded in FY2017. The Timber Division registered a loss of RM55.6 million against a profit of RM43.9 million in FY2017. As reported in the Management Discussion And Analysis on page 8 of the Annual Report, logs production in FY2018 decreased by 60% as the Company is in the midst of undertaking Sustainable Forest Management Certification.

- (a) How long will the Sustainable Forest Management Certification process last and what is the expected impact on the log production?

JTH's Response

Out of the 4 concession areas, one has completed the Sustainable Forest Management Certification process and another 2 are expected to be completed in 2020. Application for certification of the last concession area is still in progress. With certification, we expect log production volume to increase by 50% compared to the current production.

- (b) In view of the trend of declining contribution from the Logs Trading Segment, are there any plans to reduce the logs trading activities and shift the focus to the oil palm business, moving forward?

JTH's Response

We have already moved our focus to oil palm business, and we have successfully applied for our shares to be reclassified under oil palm sector on the main board of Bursa Malaysia Securities Berhad in Nov 2017. Oil palm business has contributed significantly to our Group since Year 2011.

Corporate Governance Matter

Q1 Under Resolution 5, the Company is seeking shareholders' approval for the payment of Directors' benefits for Non-Executive Directors not exceeding RM400,000 for the period from 29 November 2018 until the next Annual General Meeting of the Company.

- (a) What are the benefits-in-kind for the Non-Executive Directors?

JTH's Response

The benefits-in-kind is the estimated monetary value of providing a Company's car to the Non-Executive Director.

- (b) Please explain the rationale and provide justification why the amount under the Resolution is substantially higher than the other emoluments and benefits-in-kind of RM263,725 for the FY2018 as shown on page 41 of the Annual Report?

JTH's Response

For Resolution 5, the maximum amount of benefits payable to the Non-Executive Directors (NEDs) of RM400,000 for the period from 29 November 2018 till next AGM cover all benefits including other emoluments, benefits-in-kind and estimated claimable benefits.

Other Emoluments and benefits-in-kind of RM263,725 for the FY2018 on page 41 of the Annual Report did not include claimable benefits. As claimable expenses such as air tickets, hotel accommodation and related travelling expenses for attending Board and Board Committee Meetings are paid on re-imbursement basis based on actual expenditure incurred, they do not form part of other emoluments and benefits-in-kind and were therefore not disclosed as such.

- Q2 All the three Independent Directors of the Company have served the Board for more than 9 years. Is there a succession plan in place in relation to long-service Independent Directors?

JTH's Response

We noted your comment on the tenure of our three Independent Directors (IDs).

Throughout their tenure as IDs of the Company, they have demonstrated professionalism and objectivity in providing effective management oversight. Their invaluable knowledge, experience and understanding of the Group's operations gained over the years enable the management to continue benefiting from their objective perspectives on issues that are brought to the Board.

The Board will continue with the existing practice to assess the independence of the IDs annually via the Nominating Committee to ensure that their independence remain relevant. The decision on their continuing in office as IDs is subject to shareholders' approval annually.

KEY MATTERS DISCUSSED WITH SHAREHOLDERS DURING MEETING

1. To a question on the impairment loss of RM30.1 million on the investment in Rimbunan Sawit Berhad (“RSB”), the external auditors clarified that it was in accordance with FRS139 to recognise the significant and prolonged decline in fair value as impairment loss to income statement which comprised of the following:
 - (i) Current year decrease in fair value of RM23.8 million; and
 - (ii) Previous year cumulative loss of RM6.3 million transferred from the fair value adjustment reserve as stated in Note 30 on Page 116 of the Annual Report.
2. In response to a question on the rationale for investing in RSB shares and the future plan for this investment, the meeting was informed that the valuation of RSB’s shares was attractive then and thought it would add value to the business of the Group. The meeting was further informed that this investment would be kept as a long-term investment and not for speculative purpose.
3. With regards to the cost of production in the Group’s oil palm sector as compared with the industry’s player in the same region, it was explained that most of the Group’s plantation land was peat soil which required higher development and maintenance costs when compared to mineral plantation land.
4. To a question on the policy on sale of the Group’s CPO which were currently sold to Borneo Edible Oil (Related Party) and Wilmar, it was clarified that the Group would consider selling our CPO to other new buyer in addition to the existing two buyers.
5. On whether or not the Company would buy back some more of its own shares given that the market price of the shares had fallen to record low and the gearing ratio was quite high. The meeting was informed that the Company would look into it and would buy-back its own shares only as and when it is needed, and in the best interest of the Company.