

**BORNEO OIL BERHAD**  
**[Reg. No. 198901005309 (121919-H)]**  
(Incorporated In Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-EIGHTH (38<sup>TH</sup>) ANNUAL GENERAL MEETING OF BORNEO OIL BERHAD (“THE MEETING”) HELD ON MONDAY, 12<sup>TH</sup> DECEMBER 2022, 8:30A.M. AT 2<sup>ND</sup> FLOOR, VICTORIA POINT, JALAN OKK AWANG BESAR, 87007 WILAYAH PERSEKUTUAN LABUAN**

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**1. CHAIRMAN OF THE MEETING**

Mr. Tan Kok Chor, the Independent Non-Executive Director, was appointed as Chairman of the Meeting (“Chairman of the Meeting”).

**2. KEY MATTERS DISCUSSED AT THE MEETING**

There were few questions raised by MSWG present at the meeting with regards to:-

**Operational & Financial Matters**

- 1) Q: For FY2022, Borneo Oil recorded higher revenue and net profit of RM87.49 million (FY2021: RM51.4 million) and RM54.1 million (FY2021: RM28.48 million) respectively.

However, the robust performance was primarily due to fair value gain on investments in quoted shares of RM53.04 million (FY2021: RM26.4 million)

Meanwhile, two out of three key operating segments, namely Food and Franchise Operations (FFO) and Property Investment & Management (PIM), were back to black with pre-tax profits of RM1.65 million and RM0.92 million. FFO and PIM divisions recorded revenue of RM47.62 million and RM22.09 million separately.

Meanwhile, Resources & Sustainable Energy (RSE) division recorded a pre-tax loss of RM1.21 million compared to a pre-tax profit of RM24.62 million in FY2021, which was mainly due to the high-base effect from the disposal of Biofraction Technology Assets and Intellectual Property Rights for US\$5 million in FY2021.

All three core businesses have a low profit margin. What are the ways to strengthen the profitability of the three core businesses to generate more sustainable profit?

- A: The Group started the FY2022 under the National Recovery Plan. The easing of the Movement Control Order and the transition to the endemic phase has not been fully translated into the Group’s financial performance. Coupled with the depreciating Malaysia Ringgit and the rising monthly minimum wage, etc, these external factors have taken a toll on the Group’s profit margin.

The FFO has embarked on the hot sauces, namely Sabasco and A1 Tok Sai chilli sauces, and production will be ramped out to meet the export demand as FFO launches the sauces in the foreign market.

On the PIM, the Group is acquiring a majority stake in the clinker & cement manufacturing plant in Lahad Datu, Sabah. The acquisition of a majority stake in the plant will achieve a synergy with our limestone quarry land by upcycling the limestone waste from the existing limestone mining operations. Upon completion of the majority stake in the plant, PIM will record additional revenue derived from the sale of clinker and cement for the Group.

Under RSE, the Group has 10 parcels of quarry land totalling 193.59 acres with a total inferred limestone reserve of 61.22 million metric tons. Limestone is the main feedstock for cement production, which accounts for more than 80% of the production mix. The Group's limestone quarry lands are adjacent to the clinker and cement manufacturing plant. Once the plant is in commercial production, there will be pent-up demand for the limestone under the RSE.

We are confident that the business plans as mentioned will contribute positively to the segment's profit margin in the long sustainable term.

2) Q: The value of the Other Investments has grown 250% to RM158.59 million from RM45.36 million in the year before, of which, about 70% is related to the investment in quoted shares (Note 7 – Other investments, page 135 of AR2022).

a) Please provide a breakdown by name and geographical region of the quoted shares that Borneo Oil invested in.

A: Makin Teguh Sdn Bhd - Malaysia  
Worry Free Holdings Company – USA  
Verde Resources, Inc. - USA  
Hap Seng Plantations Holdings Bhd – Malaysia  
Capital A Bhd – Malaysia

b) In FY2022, Borneo Oil purchased and disposed of quoted shares amounted to RM63.1 million and RM7.63 million respectively (Cash flows from investing activities, page 88 of AR2022).

What is the investment objective of purchasing and disposing of the shares? Did Borneo Oil record any investment losses from the divestment?

A: These investment shares were held for capital appreciation, and the Group recorded a gain on disposal of quoted shares of RM3.30 million during FY2022.

c) Which quoted shares recorded a fair value gain of RM53.04 million in FY2022?

A: The fair value gain of RM53.04 million for FY2022 was mainly derived from Verde Resources, Inc.

- 3) Q: On 28 October 2022, Borneo Oil announced the plan to further acquire a 30.73% stake in Makin Teguh Sdn Bhd for RM100 million to be entirely satisfied in cash. MTSB owns an integrated clinker and cement plant with an expected annual production capacity of 223,000 metric tonnes in Lahad Datu, Sabah. (Source: Borneo Oil's announcement to Bursa Malaysia dated 28 October 2022)

Borneo Oil currently holds a 29.27% equity interest in MTSB which it collectively acquired in April and May 2022 for RM95.7 million. Upon the acquisition, MTSB will become a 60%-owned subsidiary of Borneo Oil.

- a) The integrated clinker and cement plant is expected to commence operation in 2023. For the past three financial years, MTSB's revenue was mainly derived from the sale of limestone.

Referring to the info below, MTSB was making losses in two of three financial years ((FY2019 – FY2021). Moreover, the RM18.54 million net profit recorded in FY2021 was primarily due to a gain on the fair value of investment property of RM59.45 million. Without the fair value gain, MTSB would have been making losses in FY2021.

	<-----Audited FYE 30 June----->		
	2019	2020	2021
	RM	RM	RM
Revenue	4,951,798	32,867,031	33,834,566
Gross profit/(loss) ("GP"/("GL"))	(97,139)	250,217	6,896,707
Profit/(Loss) before taxation ("PBT"/("LBT"))	(4,523,646)	(15,748,267)	44,951,391
Profit/(Loss) after taxation ("PAT"/("LAT"))	(25,253,993)	(15,937,366)	18,543,478

Source: Borneo Oil's announcement to Bursa Malaysia dated 28 October 2022

Is the clinker and cement plant on track to commence commercial operation in 2023?

How sustainable is the financial performance of MTSB in terms of its potential contribution to Borneo Oil's overall performance?

What are the justifications for investing close to RM200 million (if the proposed acquisition of a 30.73% stake was to be approved by shareholders in EGM) for a 60% stake in an operationally loss-making and highly geared company? What is the earnings potential of this significant acquisition?

- A: From FY2019 to FY2021, MTSB is still in the process of building the clinker and cement manufacturing plant. The clinker and cement plant is at its trial production stage as of today and is scheduled for commercial production in 2023.

Sabah is the only state in Malaysia without its clinker and cement manufacturing plant. The cement prices in Sabah are higher than in West Malaysia and Sarawak due to high logistic costs in importing the clinker and cement. The demand for cement in Sabah is expected to rise given the growing infrastructure development needs such as roads, bridges, dams, etc., especially given the implementation of mega projects such as the Pan Borneo Highway.

In addition, the demand from the BIMP-EAGA region, which includes the southern Philippines and Kalimantan, is estimated to be 23 million metric tonnes annually. Lahad Datu, with the POIC port, is closer to these regions and has the potential to fulfill a certain percentage of the demand.

- 4) Q: In May 2022, Borneo Oil announced that its wholly owned subsidiary, Borneo Oil & Gas Corporation Sdn Bhd had completed the interim exploration works on Zone D and H (collectively covering an area of 14.29 ha) at Bukit Ibam Gold Prospect. The Prospecting Area covers two mining licenses comprising 187 ha (462.08 acres) and 175.04 ha (432.53 acres).

The interim report on exploration works done on Zone D and H pointed out that the overall potential for this combined area is estimated to be 400,000 tons of ore containing approximately 200kg of gold with an average grade of between 0.3 and 0.5 g/t Au.

How far is the Company from completing the gold exploration works on the eight zones (Zone A to H) and proceeding to the extraction stage?

- A: The next stage of the gold exploration involves the development and processing stage which requires extensive capital outlay. The Company is considering various options to best achieve this, also taking into consideration ESG issues. The Company will make the necessary announcement in due course.
- 5) Q: The disposal of Biofraction Technology Assets and Intellectual Property Rights in FY2021 was satisfied in the form of shares in Verde Resources Inc - a company listed on the OTC Market in the U.S. The transaction resulted in Borneo Oil holding 19% of Verde Resources.

There is no disclosure of Borneo Oil's holding in Verde Resources in AR2022. Does the Company still own shares in Verde Resources? What is the financial contribution of Verde Resources to Borneo Oil?

- A: As of AR2022, the Company is holding 19.09% of Verde Resources, Inc. There is no financial contribution from Verde Resources as it is not a subsidiary nor an associate company of the Group. However, the Group recorded a fair value gain of RM53.04 million for FY2022 from the investment in Verde Resources, Inc.
- 6) Q: Borneo Oil has not paid any cash dividend for the past five years. However, in FY2022, Borneo Oil repurchased 203.71 million shares from the open market for RM6.83 million, including transaction costs. The average price paid for the repurchased shares was RM0.0335 per share (page 67 of AR2022).

Why did the company spend RM6.83 million in the purchase of treasury shares of the company in FY2022? Why is the Company seeking shareholders' approval for the proposed renewal of authority for share buy-back mandate at this AGM when the Company did not pay dividends to shareholders for more than five years?

A: The Company did indeed repurchase 203.71 million shares from the open market for RM6.83 million. However, the Company did not hold any treasury shares at the end of the financial year.

The Company raises equity capital by issuing ordinary shares through corporate exercise, so it may seem counter-intuitive that the Company choose to give that money back. Hence, it is beneficial for the Company to repurchase its shares to boost its key financial ratios and to preserve stock prices when it is undervalued.

The share buy-back will provide liquidity to the Company when it is needed instead of raising more cash from the market.

### **Corporate Governance Matters**

1) Q: Two long-serving independent non-executive directors Tan Kok Chor and Michael Moo Kai Wah will retire by 1 June 2023 following the amendment to Bursa Malaysia Listing Requirement on the 12 years tenure limit of independent directors.

What is the succession planning for the vacancies when the amendment to Listing Requirement takes effect next June?

A: The Company has succession planning in place as evidenced by the appointment of 3 new directors to the Board in FYE 2022 upon the retirement of the previous directors. Of the 3 new directors, 2 are female directors. This is in compliance with the new amendment to Bursa Malaysia Listing Requirement to fulfill 1/3 of the Board to be occupied by female directors.

2) Q: Chairman Tan Kok Chor, independent directors Michael Moo Kah Wah and Seroop Singh Ramday attended 5 out of 7 meetings, representing attendance of 71.4% in FY2022 (page 32 of AR2022). In contrast, all three directors recorded full attendance in FY2021.

What were the reasons for the lower board meeting attendance in FY2022?

A: The directors are unavailable due to various reasons.

3) Q: Paragraph 15.08 (2), Chapter 15 Corporate Governance of Bursa Securities Listing Requirements requires directors of listed issuers to undertake continuous training to enable them to discharge their duties effectively.

The board of directors must disclose, in the annual report, a brief description of the type of training that the directors have attended for the financial year and valid justifications for the non-attendance if the director has not attended any training during the financial year.

Based on disclosure on Borneo Oil's annual reports (page 33 of AR2022), three out of the seven directors have disclosed that they attended training in FY2022.

Please provide the details of the training attended by the other four directors.

A: The other 4 directors did not attend any trainings during FYE2022 as there were inadequate availability of appropriate courses.

### **Further Questions from MSWG**

During the AGM, MSWG has raised further questions, apart from those answered as above and our reply are as follows:-

1) Q: Follow-up questions on gold mining activities as mentioned in reply to MSWG that Borneo Oil is considering various options on gold mining and taking into consideration ESG issues. Would the evaluation result in the Group exit from the gold mining business?

A: First and foremost, it has always been our Company's philosophy to uphold our business practices under the Environmental, Social, and Governance ("ESG") parameters.

For the gold mining project, we have passed the exploration stage and are now currently at the development stage.

Currently, the only established and effective method for the extraction of gold is via the "Carbon-In-Leach (CIL) process" which require the application of Cyanide. At this moment in time and in compliance with the Company's ESG philosophy, the Company will endeavor to find alternative processes other than CIL, that are more environmentally friendly and sustainable, failing which the Company may even consider divesting the same if it does not fall into the Company's ESG parameters.

### **Director's Training**

2) Q: Follow-up question on directors' training as four directors did not attend any meeting during the year due to inadequate availability of appropriate courses.

A: The other Directors of Borneo Oil Berhad did attend other training courses after the year end.

Most of the Directors have vast experience on Listed Company corporate matters and majority of the topics of the training had previously been attended by them.

Moreover, the Company will take note and update on any forthcoming training programme for the Directors from time to time.

### **Board's Attendance**

3) Q: Follow-up question on the directors' absence from board meeting. What were the personal reasons resulted in them being unable to attend the board meeting?

A: Some of the reasons given for not being able to fulfil a 100% full board attendance at one point of time is basically due to the fact that somehow or other the Directors are committed on something else at the same time when meeting was called upon.

The Board of BOB had always been very active to have ad-hoc discussions prior to important decisions to be made. Their non-attendance record is just coincidentally not available during that particular date and time.

The Director's attendance are more than 50% of the total meeting held for the FYE 2022 of which the Company have fulfilled and are in compliance with Bursa Malaysia's Main Market Listing Requirements Paragraph 15.05 (3)(C).

### **3. ORDINARY RESOLUTIONS 1 TO 12**

The following Ordinary Resolutions were duly conducted by way of poll voting by shareholders present at the AGM:-

- **ORDINARY RESOLUTION 1**  
Re-election of Datuk Joseph Lee Yok Min @ Ambrose as the Managing Director.
- **ORDINARY RESOLUTION 2**  
Re-election of Mr. Michael Moo Kai Wah as a Director.
- **ORDINARY RESOLUTION 3**  
Re-election of Ms. Susie Chung Kim Lan as a Director.
- **ORDINARY RESOLUTION 4**  
Re-election of Mr. Sri Ganesh A/L K Balasubramaniam as a Director.
- **ORDINARY RESOLUTION 5**  
Re-election of Ms. Georgia Suzanne Lingam @ Georgianne as a Director.
- **ORDINARY RESOLUTION 6**  
To approve the payment of Directors' fees amounting to RM386,960 to Non-Executive Directors for the financial year ended 30 June 2022.
- **ORDINARY RESOLUTION 7**  
To approve the Directors' fees and benefits of up to an amount of RM2,057,827.00 payable from 13.12.2022 until the next Annual General Meeting.
- **ORDINARY RESOLUTION 8**  
To re-appoint STYL Associates PLT as the External Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.
- **ORDINARY RESOLUTION 9**  
To approve the re-appointment and retention of Mr. Tan Kok Chor as the Independent Non-Executive Director.

- **ORDINARY RESOLUTION 10**  
To approve the re-appointment and retention of Mr. Michael Moo Kai Wah as Independent Non-Executive Director.
  
- **ORDINARY RESOLUTION 11**  
Authority to allot Shares pursuant to Section 75 & 76 of the Companies Act, 2016.
  
- **ORDINARY RESOLUTION 12**  
Proposed Renewal of Authority for Share Buy-Back.

#### **4. DECLARATION OF POLL RESULTS**

The details of the poll results of each of the Resolutions tabled at the 38<sup>th</sup> AGM, were validated by Leou Associates PLT, an Independent Scrutineer and henceforth declared carried as follows, by the Chairman of the Meeting.



Resolution	Vote For		Vote Against	
	No. of shares	%	No. of shares	%
Ordinary 1	2,870,890,400	100	0	0
Ordinary 2	2,870,890,300	100	100	0
Ordinary 3	2,870,890,400	100	0	0
Ordinary 4	2,870,890,400	100	0	0
Ordinary 5	2,870,890,400	100	0	0
Ordinary 6	2,870,890,400	100	0	0
Ordinary 7	2,870,890,400	100	0	0
Ordinary 8	2,870,890,400	100	0	0
Ordinary 9	<b>Tier 1 (Large Shareholders)</b>			
	1,326,198,250	100	0	0
	<b>Tier 2 (Other Shareholders)</b>			
	1,544,692,050	100	100	0
Ordinary 10	<b>Tier 1 (Large Shareholders)</b>			
	1,326,198,250	100	0	0
	<b>Tier 2 (Other Shareholders)</b>			
	1,544,692,050	100	100	0
Ordinary 11	2,870,890,300	100	100	0
Ordinary 12	2,870,890,400	100	0	0

## 5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the Meeting closed at 9:40 a.m.