

24 August 2023

Badan Pengawas Pemegang Saham Minoriti Berhad
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

BY FAX/EMAIL

Attn: Mr. Devanesan Evanson

Dear Sir,

RE: 51ST ANNUAL GENERAL MEETING (AGM) OF KUMPULAN FIMA BERHAD (KFIMA)

We refer to your letter dated 9 August 2023 and append herewith our clarification on the following points and queries raised in your letter as follows:

Operational & Financial Matters

1. **Q.** *4,375ha of the Group's oil palm plantation has an age profile of more than 19 years, a significant jump from 2,200ha in the previous year. The Group has not carried out any replanting for the past 5 years. Does the Group intend to carry out replanting in the foreseeable future? If so, what is the acreage to be replanted, and what is the budgeted amount to be incurred for the replanting exercise?*

- A.** Below is the breakdown of the estates/areas with palms aged above 19 years:

| | HA |
|-----------------|--------------|
| PT NJL | 3,568 |
| FCB Kuala Betis | 683 |
| Others | 124 |
| Total | 4,375 |

Replanting for oil palm plantations typically begins from the 25th year onward. The initiation of the replanting program depends on factors such as yield performance, availability of skilled harvesters, and the height of the palm trees.

Of the total 4,375 hectares (10,811 acres), approximately 82% or 3,568 hectares (8,817 acres) are located in Indonesia where the current average age of the palm trees is 20 years. Based on our recent assessment, there is no immediate plan for replanting within the next 5 years as the yield performance, availability of skilled harvesters and palm tree heights are expected to remain satisfactory. Nonetheless, the Group will continue to monitor the yield performance and determine whether there's any requirement to accelerate the replanting program at PT NJL.

The second significant area comprises 683 hectares (1,687 acres) situated at Ladang FCB Kuala Betis. This area is low yielding due to its low palm tree density and has poor palm conditions. Even after undergoing rehabilitation, the palm conditions in this area remain suboptimal. Ladang FCB Kuala Betis was acquired in FYE2022 and development is being undertaken in phases. Under the estate's planned development programme, replanting of the low-yielding area referred to above has been planned in FY2025/2026 once planting at the other areas have been completed. No additional impairment is necessary, as the bearer plant was not valued upon acquisition. The replanting exercise is estimated to cost RM 15 million, equivalent to RM 22,649 per hectare.

2. **Q.** *The implementation of the new amendments to the Employment Act 1955 ("EA 1955"), which include the reduction of weekly working hours in Malaysia from 48 to 45 hours and raising the monthly salary threshold for employees' entitlement to overtime benefits from RM2,000 to RM4,000, have been effected on 1 January 2023. The group currently employs 3,178 people. To what extent do the amendments impact the group financially?*
- A.** As of 31 March 2023, the Group employs 3,178 people, out of which 1,286 are based in Malaysia. Based on our assessment, the recent implementation of the amendment to EA 1955 are in respect of our executive level and above, and this does not have any significant financial impact on the Group.
3. **Q.** *It is disclosed on page 7 of Annual Report 2023 that the total waste for the food division reduced year-on-year from 203,370 MT in FY2022 to 190,693 MT in FY2023. This translates into a wastage of about 522 MT a day in FY2023. What was the tonnage of food processed in FY2023 and what are the reasons for amount of wastage which appears high?*
- A.** We would like to clarify that the figures referred to on page 7 of the Report pertain to the overall waste generated by the entire Group, and not just by the Food division only. The Food division's actual waste output for FYE2023 is notably lower at 123 MT compared to the 230 MT reported in FYE2022. Further details regarding waste data for both the Group and its divisions can be found in the Performance Data section of the Annual Report on page 243. The breakdown of waste generation for each division is as follows:

| | FYE 2023 (MT) | FYE 2022 (MT) |
|--------------------|--------------------------|--------------------------|
| Plantation | 190,228 | 202,846 |
| Bulking | 194 | 170 |
| Manufacturing | 148 | 124 |
| Food | 123 | 230 |
| Total Waste | 190,693 | 203,370 |

93.8% of the total was generated by the Plantation division. This waste mainly comprises Empty Fruit Bunches (EFB) and Palm Oil Mill Effluent (POME), both of which are effectively repurposed through composting and application within the estates.

The above points raised and its related responses will be presented at the forthcoming AGM.

Thank you.

Yours faithfully,
KUMPULAN FIMA BERHAD



FADZIL BIN AZAHA
Chief Financial Officer/Company Secretary