KUMPULAN FIMA BERHAD
(Company No. 11817-V)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FORTY-SEVENTH ANNUAL GENERAL MEETING (47TH AGM) OF THE COMPANY HELD AT DEWAN BERJAYA, BUKIT KIARA EQUESTRIAN & COUNTRY RESORT, JALAN BUKIT KIARA, OFF JALAN DAMANSARA, 60000 KUALA LUMPUR ON WEDNESDAY, 28 AUGUST 2019 AT 3.00 P.M.

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1. Chairman

Dato' Idris bin Kechot (the Chairman) chaired the Meeting.

2. Quorum

The requisite quorum being present pursuant to Article 64 of the Company's Constitution, the Chairman declared the Meeting duly convened.

3. Notice of Meeting

The Notice convening the Meeting having been circulated within the prescribed period was, with the permission of the Meeting, taken as read.

The Meeting noted that in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in the Notice of the 47th AGM would be voted by poll.

4. Audited Financial Statements of the Company for the financial year ended 31 March 2019 ("FYE2019") and the Directors' and Auditors' Reports thereon

The following are the key questions that were raised from the floor, which were adequately responded and addressed by the Board:

(1) It was commented that overall, KFIMA was a steady, stable company with low gearing. Are there any plans to diversify in the medium term?

Whilst the Group certainly has its growth ambitions, the same are being pursued carefully and within the risk appetite and parameters set by the Board.

For the medium term, the Group has been expanding its plantation landbank (as evidenced over the last few years), and increasing the production capacity of its food segment - all with a view to improve the Group's overall earnings profile. The planting programmes at the Group's estates in Kelantan are have been progressing well and the estates are expected to be fully planted by the end of this current financial year. Ladang Amgreen in Miri, Sarawak and Ladang Cendana in Kemaman, Terengganu have been fully planted. The main focus areas for management in this current financial year would be on improving the productivity of these estates through improving the agronomic standards of the fields, especially Ladang Amgreen, whose yields were still below expectations.

The food division's Papua New Guinean ("PNG") subsidiary expects to drive growth with new product lines and is expected to commence trading in several types of other food items by the third quarter of this current financial year.

The manufacturing division continues to build up its IT and high-tech security document competencies and while it does not intend to venture into the IT sector per se, the division is working with strategic partners in particular product segments to provide total end-to-end solutions to its customers.

(2) Can the Board elaborate on its strategy for the food division?

The Board considers the food division to be a major growth driver for the Group. As evidenced from the recently announced Q1 FY2019/20 results, the division's performance has improved on the back of consistent supply of fish (unlike the last financial year, when the local industry experienced a decline in fish landings) and improved productivity. The new boilers which were installed during FYE2019 had inter alia contributed to better plant efficiencies and were able to support the increase in production volumes.

As noted previously, the Group's PNG subsidiary will commence trading in new product categories (non-fish) namely chicken luncheon, corned beef and cooking oil by the third quarter of this current financial year as part of its brand extension strategy. Although contributions from trading activities are not expected to be significant, it would nevertheless help strengthen brand visibility and market presence.

(3) What is the expected trend for crude palm oil ("CPO") prices in this current financial year? What is the current cost of FFB production per tonne?

The Group Managing Director replied that high CPO inventory levels coupled with market uncertainties related to the US-China trade war tensions have led to the dismal CPO price performance in first half of 2019. He went on and expressed the view that CPO prices is likely to be rangebound at present levels up to RM2,200 per MT for the remainder of the financial year.

Meanwhile, the Group's average FFB production cost (excluding fixed overheads) is approximately RM250 per MT.

(4) What is the current status of the Group's greenfield estate at Sungai Siput?

The DOE review panel had requested that certain revisions to be made to the initial EIA report which the company had submitted earlier. The revised EIA report has since been submitted and is currently pending approval.

(5) How does the Group derive economic benefits from and manage the scattered and relatively small size of the estates that it has acquired in recent years? For an estate to be considered efficient, the optimal size needs to be at least 2,000 hectares.

The Group Managing Director replied that the lands that were purchased in the past few years are actually in close proximity of each other. This would enable the Group to achieve economies of scale and operational efficiencies. Further, the Group is capitalizing on the use of its IT system to monitor the estates' operations. The said IT system is activity-based, and the daily reports generated therefrom would provide the requisite information and data on activity performance (particularly the cost drivers), on *a block by block basis.*

Whilst it is acknowledged that larger parcels of lands (i.e. 2,000 hectares and above) would provide more in terms of efficiency, they are more costly to acquire.

(6) What are the reasons for the decline in production volumes despite the increase in mature hectarage?

Our Indonesian subsidiary, PTNJL had enjoyed a bumper harvest in FYE2018. However, in FYE2019, FFB produced by PTNJL decreased by 6.1% to 164,769 MT on the back of a lower yield per hectare of RM26.08 MT (FYE2018: 27.53 MT) due to the post recovery of the El Nino phenomenon.

(7) Referring to page 112 of the Annual Report, clarification was sought on the "other operating income/(expense)" in the Statement of Comprehensive Income, having noted the y-o-y variance between income of RM4.52 million in FYE2019 compared to an expense of RM20.546 million in FYE2018. Clarification was also sought on the reasons for the spike in inventories of RM104.669 million in FYE2019 compared to RM77.424 million in FYE2018 disclosed on page 113 of the Annual Report.

The Group Managing Director explained that the variance in the other operating income/(expense) was due to the writeback of impairment losses on property, plant and equipment totalling RM23.6 million. Meanwhile the significant y-o-y increase in inventories relates to a major consignment of raw materials purchased by PKN towards the end of the year which naturally led to the buildup. PKN tends to make its purchases in bulk due to the long lead times required for production of certain products. The inventory levels will eventually reduce in this current financial year.

(8) In relation to Percetakan Keselamatan Nasional Sdn Bhd's ("PKN") RM24.98 million lawsuit against Datasonic Technologies Sdn Bhd ("DTSB"), how much provision has PKN made in its books? Now that the Malaysian passport contract has gone to DTSB, what are the prospects for the Group's security printing business?

The Board believes that PKN has made adequate provisions in relation to the said lawsuit and does not expect PKN to make any further provisions thereon. Should the final outcome of the lawsuit be unfavourable to PKN, the impact on PKN as well as the Group's profit & loss is not expected to be material.

As previously indicated, PKN is putting emphasis on strategic partnerships and collaborations built around technology-driven ID and security solutions and services which can open up additional markets in non-traditional products while still maintaining its market niche in traditional products (i.e. physical documents). When queried, the Group Managing Director clarified that 'non-traditional' products refer to physical documents which are combined with high-tech features. The Group Managing Director further added that PKN currently produces passports for a few foreign countries.

PKN has participated in a few large tenders recently, in which many other companies have also submitted their bids. The tenure of the existing contracts (for high value security products) is normally 5 years and as such he reckoned that it would be a while before the tenders are formally awarded.

(9) While the Company's dividend payments have so far been consistent, it was suggested that the Company should increase its dividend payout in the coming years.

The Company has recently formalized a dividend policy whereat the Company aims to distribute to the shareholders at least 40% of the consolidated profit after taxation and non-controlling interest ("PATANCI") for the relevant financial year.

It has always been the Company's practice to maintain/hold its dividend rate at least at the same rate as the previous financial year. This policy is based on a balance of long-term interests of the Group and its shareholders who expect stable dividends from the Company.

(10) There have been reports that a privatization exercise is in the works. Is this true?

The Board is not aware of any privatization exercise within or involving the Group.

(11) What is the current status of the Group's biodiesel business?

The plant has already commenced commercial operations in Q1 of this current financial year, with 2 shipments already been exported. The team had to go through a bit of a learning curve in starting up the plant (given its age) and the focus now is to improve the plant's efficiency and yield. It is hoped that the plant would be able to reach full capacity by this financial year-end.

(12) What is the CAPEX for the 4 newly constructed storage tanks at the bulking terminal in North Port? Is there enough demand to fill up the new tanks given the soft market environment?

The coated carbon steel tanks are built at a cost of RM3.6 million inclusive of the pipelines. The division projects that the demand for storage to remain strong for this current financial year; nevertheless, the division aims to secure more long term customers and handling of high value products. Currently the proportion of long term and spot customers are 50/50; the ideal ratio would be 60%-70% long term. The division also intends to build up its freight forwarding business, which the division views to be a potential source of future growth as it is ancillary to the division's existing businesses.

(13) A Shareholder expressed her dissatisfaction to the Board after having been informed by the Company's Share Registrar that her name was not on the Record of Depositors and therefore was denied from registering for, and attending the AGM despite being a shareholder, having bought KFIMA's shares on 22 August 2019.

At this juncture a few shareholders highlighted to the Shareholder that the AGM Notice expressly stipulates that only members registered in the General Meeting Record of Depositors as at 23 August 2019 ("ROD") shall be eligible to attend the AGM. Since the shares were only purchased on 22 August 2019, her name would not appear in the said ROD in time.

Nevertheless, the Chairman took note of the Shareholder's grievance and advised her to confer and check with the Share Registrar on this issue outside of the AGM.

5. Voting Results

Having addressed all queries raised and the resolutions voted upon by e-polling, all the following resolutions were duly passed with the results of the e-polling announced accordingly to Bursa Securities on 28 August 2019. The results of the 47th AGM can be obtained at http://www.fima.com.my/announcements.html.

6. Conclusion

There being no other business to be transacted, The Chairman concluded the Meeting at 4.45 p.m. and thanked all present for their attendance.