

KEY MATTERS 2019

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-FIFTH (35th) ANNUAL GENERAL MEETING OF BORNEO OIL BERHAD ("THE MEETING") HELD ON WEDNESDAY, 18 DECEMBER 2019 AT 8.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 2ND FLOOR, VICTORIA POINT, JALAN OKK AWANG BESAR, 87007, W.P. LABUAN.

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:
i. The division for fast food, restaurant and related business recorded a loss before tax of RM0.50 Million (2018 Loss before tax of RM 3.4 million) (page 9 of Annual Report 2019 ("AR2019")).

a) Q : When will the said division break even?

A : In our Q1FY2020 financial results announcement, the division reported a minor loss of about RM37,000 for the quarter ended to-date. Barring unforeseen circumstances, the Board is confident that the division will be profitable by the end of financial year 2020.

b) Q : As at 30 June 2019, the total number of SugarBun and Pezzo outlets were 132(2018:135) (page 9 of AR2019). What is the current breakdown of the number of outlets for SugarBun and Pezzo? How many outlets are located overseas, if any and where?

A : As at 30 November 2019, there was an additional 2 outlets, bringing the total number of outlets to 134 (88 SugarBun and 46 Pezzo) as compared to 132 (88 SugarBun and 44 Pezzo) as at 30 June 2019.

Out of the total of 134 outlets, 15 outlets are located overseas.
The overseas locations of the 15 outlets are as follows:

9 SugarBun outlets in Brunei
1 SugarBun outlet in Australia
1 SugarBun outlet in Bangladesh
4 Pezzo outlets in Brunei

c) Q : What is the estimated number of SugarBun and Pezzo outlets to be opened for the next 3 years?

A : The F&B division has been actively participating in various trade shows to promote and raise brand awareness among industry professionals and key decision makers and presenting networking opportunities, domestic and overseas. The team is also actively involved in charity events, workshops and sponsorship to further enhance the brand.

Our ongoing quest to create awareness amongst franchisees on good quality control and providing excellent customer service have gained momentum in customers' support and loyalty.

We continue to innovate new menu to meet the ever- changing taste buds of our customers in our pursuit to create a greater dining experience to boost customer satisfaction.

In our business model of franchising, we are not able to give a predictable forecast on the number of new outlets for the next 3 years. In our endeavor, we are working towards adding on 49 outlets (35 SugarBun and 14 Pezzo) openings by franchisees in addition to another 21 SugarBun outlet openings by ourselves during the coming 3 years.

ii. Going forward, the Boards is confident that with the completion of the Integrated Limestone Processing Plant ("ILPP"), the Group will continue to benefit from additional business arrangements with the owners of the ILPP (Page 10 of AR2019).

Q : What is the estimated percentage revenue contribution from additional business arrangements with the owners of the ILPP going forward?

A : With the completion of the ILPP, the Group is expected to benefit with an estimated annual revenue of RM5.3 million from the long-term supply agreement of limestone aggregates to ILPP. This revenue represents about 5% of the Group's total revenue for FY2019.

iii. In relation to the mining, energy and related business, the reduction in total revenue for the current financial year was due to a reduction in gold trading activities and sale of Limestone (page 11 of AR2019).

a) Q : How much gold was produced for FY2019?

A : During FY2019, a total of 296.32oz of gold dore were extracted from 93,133MT of ore mined under the division.

b) Q : What is the current status of the Group's gold mining activities?

A : The Mining division has completed the preliminary exploration stage with the trial run at Bukit Ibam and has identified areas with potential reserves for viable gold extraction. The division is currently embarking on the second phase of the exploration stage which includes, 1,000 blast drilling up to a depth of 9 metres covering a length of 450 metres. The ore extracted will be further tested to assess the gold ore density. After the testing, a JORC report will be produced on the conclusion of the area covered which will serve as an independent report by a competent person for the information of potential investors.

c) Q : The Division's exploration team had yielded encouraging results on the gold exploration conducted at Bukit Ibam, Pahang with inferred reserves of 1.8metric tonnes of gold. When will the Group commence extraction of the gold ores at Bukit Ibam, Pahang?

A : As explained earlier, the division is still conducting the second stage of the exploration phase on the inferred reserves of 1.8MT of gold. Once the division has obtained the JORC report with an indicated reserve, we will evaluate all options available for the optimal production arrangements to extract the gold dore. Judging from the current progress of the initial exploration, the Board is optimistic that the division will be able to commence the gold dore extraction in the coming quarters.

d) Q : How much limestone was sold for FY2019? What is the outlook and prospect for the sale of limestone, going forward?

A : During FY2019, the division recorded a total revenue of RM3.35 million from the sale of limestone. Going forward, the sale of limestones is expected to increase by RM5.3 million with the completion of ILPP as mentioned earlier.

iv. A total of 9 wholly owned subsidiaries (3 dormant) had emphasis of matter on going concern assumption in their auditor's report for the financial year ended 30 June 2019 (Note 5, Pages 98 & 99 of AR2019).

a) Q : What is the current financial status of the 6 non-dormant subsidiaries?

A : The 6 non-dormant subsidiaries are still in negative net assets as reported in FY2019.

b) Q : How will the emphasis of matter on going concern assumption impact the Group, going forward?

A : The Board do not foresee any negative impact to the Group as the subsidiaries have the potential to turnaround and are financially supported by the Group.

v. Development expenditure principally comprises internally generated expenditure on Bio-Fraction Project where it is reasonably anticipated that the costs will be recovered through future commercial activities in converting biomass into biochar, biofuel and biogas (Note 7, Page 101 of AR2019).

Q : What is the status of the Bio-Fraction Project? When is the expected commencement of Production?

A : We have operating on trial run basis with PKS (Palm Kernel Shell) and EFB (Empty Fruit Brunch) pallets and achieving a through put of 0.8MT per hr.

We are now at the final stage of connecting the gas to dual fuel power generator to estimate the max potential of gas quality and quantity. With the data tested, we can better determine and optimise the usage of bio-gas to tap on the best potential yield and operated to the full potential.

Notwithstanding this, the Board is confident that the Bio- Fraction Plant will be able to commission in the coming quarters.

vi. Impairment losses on other receivables amount to RM3.79 million (2018:NIL) (Note 12(b), Page 107 of AR2019).

Q : Is the amount recoverable? If so, what actions have been taken to recover the said amount?

A : With regards to the RM3.79 million impairment losses, the Board is pleased to announce to the shareholders that the Group has taken reasonable steps to recover the outstanding amount of RM3.79 million and in Q1FY2020, we have managed to recover a total of RM1.74 million which was reflected in our financial results announcement accordingly.

vii. The accumulated impairment losses on amount owing by subsidiaries amount to RM80.05million (2018 RM27.69million) (Note 14, Page 108 of AR2019).

a) Q : To which subsidiary companies does the said impairment relate to?

A : The accumulated impairment losses of RM80.05 million relates to the advances provided to the wholly owned subsidiaries under the Group over the years. The impairment losses on the advances are mainly from Borneo Energy Sdn Bhd, Borneo

Oil & Gas Corporation Sdn Bhd, SB Partners Sdn Bhd, SB Resorts Sdn Bhd and SB Supplies & Logistics Sdn Bhd.

b) Q : Is the amount recoverable? What is the amount recovered to-date?

A : The amount is deemed recoverable by the Board as they are backed up by assets under the subsidiaries. They are no plan at the current moment to recover the amount.

viii. Deposits written off amount to RM 14.57million (2018: NIL) and prepayments written of amount to RM 0.98 million (2018: NIL)

Q : What were the measures taken to recover the said deposits and prepayments? What was it related to?

A : The amount written off was in accordance to MFRS on the recommendation of the auditors. It was mainly related to the terms and conditions as stipulated in the mining agreement under the exploration licenses and mining leases The Group has taken reasonable steps to recover the amount and during Q1FY2020, we have successfully recovered RM330,000. The amount was reflected as "Bad debts written back – other receivables" in our Q1FY2020 financial results announcement.

ix. There was a provision for loss allowance on trade receivables which are current (not past due) amounting to RM 0.63 million (Note 34(c)(I), page 134 of AR2019).

a) Q : What is the reason for providing loss allowance on trade receivables which are current (not past due) of RM 0.63 million?

A : A portion of the amount was impaired under the expected credit loss ("ECL") in accordance to MFRS 9 Financial Instruments, which is applicable for annual periods

beginning on or after 1 January 2018 on the recommendation of the auditors.

b) Q : What are the measures taken to tighten the credit control policies of the Group?

A : The Group has robust measures in place on the credit control policies and debt recovery. However, due to the introduction of MFRS 9, the above amount was impaired in accordance to the standards which is not a true representation on the repayment ability of the debtor.

Corporate Governance Matters

x. Practical 2.1- the board has a Board Charter which is periodically reviewed and published on the company's website.

The explanation provided by the Company is that the Board Charter is currently being updated and will be published on the Company's website in due course (page 7 of Corporate Governance Report).

Q : When is the target deadline to publish the Board Charter on the Company's websites?

A : As of today, we have updated our website with the Board Charter. Shareholders are encouraged to visit our website at www.borneo-oil.com.my.

xi. Practice 3.1- the Code of Conduct and Ethics is published on the company's website.

The explanation provided by the Company is that the Code of Conduct and Ethics is currently being updated and will be published on the Company's website in due course (page 8 of Corporate Governance Report).

Q : When is the targeted deadline to publish the Code of Conduct and Ethics on the Company's Websites?

A : We have updated our website with the Code of Conduct and Ethics. Please refer to our website for the explanation on the Code of Conduct and Ethics.

xii. Practice 6.1- The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

The explanation provided by the Company that the policies and procedures will be made available on the Company's website when appropriate (page 18 of Corporate Governance Report).

Q : When will the appropriate time to make available the policies and procedures to determine the remuneration of directors and senior management?

A : We have updated our website with the policies and procedures to determine the remuneration of directors and senior management. Please visit our website for more information on the said policies.

xiii. Practice 6.2- The Remuneration Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

As at 11 December 2019, the Company has not disclosed the Remuneration Committee's Terms of Reference on its website.

Q : When is the targeted deadline to publish the Remuneration Committee's Terms of Reference on the Company's Websites?

A : We have updated our website with the Remuneration Committee's Terms of Reference. Please refer to our website for more information on the said Terms of Reference.

xiv. Q : Directors Training (Page 21 of AR2019) – What were the trainings attended by each of the Directors for the financial year ended 30 June 2019?

A : During FY2019, the directors of Borneo Oil Bhd in office attended the Seminar on "Corporate Directors Training Programme Fundamental 2.0 + Cyber Security Awareness" conducted by SSM.

xv. Resolution 5- To approve the Directors' remuneration of up to RM 1,600,000 payable from 19th December 2019 until the Next Annual General Meeting (Page 161 of AR2019).

Q : Please explain the reason for seeking shareholders' approval on such a huge increase in Directors' Remuneration payable amount of up to RM 1.60million as oppose to the payment of Director's remuneration amounting to RM 797,983 for the financial year ended 30 June 2019. What is the justification for the substantial increase in Directors' remuneration?

A : The Directors' remuneration of up to RM1.6 million represents the total directors' remuneration payable for FY2020. The increase of about RM800,000 was mainly due to a newly appointed Executive Director on 27 March 2019.

xvi. Chapter 9, Paragraph 9.21 (2) of the Main Market Listing Requirements requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the companies' website. As at 11 December 2019, the Company has not published the summary of Key Matters Discussed at its AGM held in 2018 onto its websites.

Q : Please explain.

A : We have taken note of the above and our website has been updated accordingly.

3. ORDINARY RESOLUTIONS 1 TO 10

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

• ORDINARY RESOLUTION 1

Re-election of Mr Michael Moo Kai Wah as Director retiring by rotation pursuant to Article 91 & 92 of the Company's Articles Of Association.

• ORDINARY RESOLUTION 2

Re-election of Mr Seroop Singh Ramday as Director retiring by rotation pursuant to Article 91 & 92 of the Company's Articles Of Association.

● **ORDINARY RESOLUTION 3**

Re-election of Datuk Joseph Lee Yok Min @ Ambrose as Director retiring by rotation pursuant to Article 96 of the Company's Articles Of Association

● **ORDINARY RESOLUTION 4**

Approving the payment of Directors' remuneration amounting to RM797,983 to all the Directors for the financial year ended 30 June 2019.

● **ORDINARY RESOLUTION 5**

Approving the payment of Directors fees and benefits of up to RM1,600,000 payable to all the Directors from the conclusion of the 35th AGM to the next AGM in 2020 of the Company.

● **ORDINARY RESOLUTION 6**

Re-appointment of Messrs 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 7**

Approval of Mr Tan Kok Chor's continuation in office as Independent Non-Executive Director.

● **ORDINARY RESOLUTION 8**

Approval of Mr Michael Moo Kai Wah's continuation in office as Independent Non-Executive Director.

● **ORDINARY RESOLUTION 9**

Authority to issue shares pursuant to Section 75 and 76 of the Companies Act 2016.

● **ORDINARY RESOLUTION 10**

Proposed Renewal of Authority to Buy Back its own shares by the Company.

● **SPECIAL RESOLUTION 11**

Proposed adoption of a new constitution of the Company to replace the existing Memorandum and Articles of Association.

4. DETAILS OF POLL RESULTS

The details of the poll results of each of the Resolutions tabled at the 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	2,281,440,992	100	100	0
Ordinary 2	2,281,441,992	100	0	0
Ordinary 3	2,281,441,992	100	0	0
Ordinary 4	2,281,441,992	100	0	0
Ordinary 5	2,281,441,992	100	0	0
Ordinary 6	2,281,441,992	100	0	0
Ordinary 7	Tier 1 (Large Shareholder(s))			
	1,780,296,850	100	0	0
	Tier 2 (Other Shareholder(s))			
	501,144,142	100	100	0
Ordinary 8	Tier 1 (Large Shareholder(s))			
	1,780,296,850	100	0	0
	Tier 2 (Other Shareholder(s))			
	501,144,142	100	100	0
Ordinary 9	2,281,441,092	100	0	0
Ordinary 10	2,281,441,092	100	0	0
Special Ordinary 11	2,281,441,092	100	0	0

5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the Meeting closed at 9.15 a.m.