

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

**SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SIXTH (36TH)
VIRTUAL ANNUAL GENERAL MEETING OF BORNEO OIL BERHAD (“THE
MEETING”) HELD ON WEDNESDAY, 16TH DECEMBER 2020 AT 10.00 A.M. AT THE
BROADCAST VENUE AT LOT 27, JALAN KOLAM, 88300 KOTA KINABALU, SABAH.**

1. CHAIRMAN OF THE MEETING

Datuk Joseph Lee Yok Min @ Ambrose, the 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: The revenue of Borneo Oil has been on declining trend since FY2017 from RM160.83 million to RM88.29 million in FY2020, while net profit declined from RM46.44 million in FY2017 to net loss of RM6.61 million in FY2019, then back to black to RM1.6 million in FY2020 (page 5 of Annual Report 2020).

Based on the strategies and measures implemented by the Board and management, how will Borneo Oil’s revenue perform in the next two to three years? Is the positive bottom-line sustainable?

- A: The widely published announcement of the vaccine being globally available from early 2021 has provided for a more optimistic outlook. We will be closely monitoring the situation, assessing and re-evaluating our business strategies going forward whilst also exploring new opportunities in the post pandemic markets.

The Board has initiated several business strategies and plans to enhance the Group’s performance. One of our plans is to commence with the gold mining at Bukit Ibam with the successful gold exploration works. Secondly, the Group will introduce new concept virtual stores in Sabah and Sarawak with affordable groceries and household goods ordered online and delivered to their homes. Last but not least, with the near completion of the Integrated Limestone Processing Plant adjacent to our limestone quarry, we expect to supply 800MT per day of limestone to the plant when it is in operations.

Based on the strategies and measures implemented by the Board, we are confident with the materialisation of the plans in the pipeline will give a boost to the revenue and generate a positive bottom-line on a long-term sustainable basis.

- 2) Revenue from the Food and Franchise Operations (FFO) declined to RM40.73 million in FY2020 from RM48.84 million in FY2019 due to the Movement Control Order imposed to control the COVID-19 outbreak.

a) Q: Apart from providing takeaways and deliveries, what are the other approaches implemented by the FFO division to boost its revenue during the current challenging business and economic environment?

A: The FFO division is looking at increasing its online digital presence so as to assimilate itself with the changes in the industry arising from this pandemic. The pandemic has made digital marketing and online presence essential in any business and the FFO is positioning itself in this direction. At the same time the FFO division is studying consumer needs and trends so as to utilise its existing hardware and logistics capabilities to fill market gaps and provide a wider range of services and goods so as to boost revenue.

In addition to the takeaways and deliveries, FFO had introduced discounted vouchers for redemption, lucky draw and new menu as part of the marketing strategies to boost its revenue.

Examples:

- 1) Pezzo had introduced discounted Christmas Gift Vouchers on Shopee platform from 7 to 12 December 2020 to kick off 12.12 shopping festival;
- 2) SugarBun had organised “Eat & Win” campaign for the period from 16 November to 31 December 2020 with RM20,000 worth of Sen Q and SugarBun cash vouchers for the lucky draw; and
- 3) Sugar launch new menu “Sloppy Burger” in November 2020.

b) Q: The FFO division has drawn plans to open 150 stores in East Malaysia in the next two years (page 13 of AR2020). This is more than double of Borneo Oil’s total 124 SugarBun and Pezzo outlets as of 30 June 2020.

How does the Group plan to achieve this ambitious target?

A: The concept of the proposed 150 virtual stores in East Malaysia for the next 2 years is different from the traditional Quick Service Restaurant (QSR) that currently stand at 124 for SugarBun and Pezzo outlets as at 30 June 2020.

The new concept virtual stores consist of mainly kiosks, supported by distribution centres in every region covering both urban and sub-urban areas in Sabah and Sarawak.

The virtual stores will be operating on an online shopping, e-payment and delivery platforms (App/Web) that connects the communities through essential services and deliveries to their homes with affordable groceries and household goods beside the cooked food by SugarBun and Pezzo. The essential groceries and household goods are rice, sugar, flour, cooking oil, mineral water, instant noodles, toilet paper and others.

The entire sale transactions will be solely online via online applications and/ or websites of existing delivery service providers and thus, it is the intention of the Group to partner with the major delivery companies in Malaysia such as Foodpanda, GrabFood, Lyfe etc. Further, with the on-going COVID-19 pandemic, the most sustainable way of doing business is via the digital channels vis-a-vis delivery services and making payments electronically. Declining in cash usage is

expected to continue amid of the growing popularity of digital payment platforms and as people avoid physical contact during the coronavirus pandemic. Therefore, the proposed virtual stores will provide another source of revenue besides the existing FFO business to the Group.

- c) Q: Borneo Oil has invested in developing an in-house e-wallet and payment systems (page 13 of AR2020) to encourage the use of digital and contactless payments among consumers.

How much has been spent by the Group to develop the e-wallet and payment systems? Why didn't Borneo Oil ride on the infrastructure and payment systems of existing e-wallets (e.g., Touch 'n Go, GrabPay, Boost)?

- A: A one-time set up fee of RM60,000 will be payable as a development fee for the e-wallet and payment systems developed by MobilityOne.

MobilityOne has already developed an advanced payment platform based on Microsoft technologies which consist of:

OLTP Engine: A high-volume transaction processing engine capable of servicing transactions from multiple channels (web, SMS, EDC terminals, ATMs) in a transactionally consistent manner; and

Backoffice OSS: A web-based Operations Support System (OSS) for administration of the business. The OSS is a flexible web portal designed to host multiple modules for various backoffice tasks such as merchant management, device provisioning, membership management, card management, settlement and reconciliation, billing and payment disbursement, reporting, dashboards, business analytics and decision support, etc.

From this core platform, MobilityOne has developed a number of products and solutions such as its flagship OnePay Prepaid System, its Debit Acquiring Payment Host, its Mobile Banking System and its SMS Gateway.

Borneo Oil selected MobilityOne as it offered the most competitive and comprehensive package compared to the rest of the other platforms.

- 3) Q: The construction of Borneo Oil's Integrated Limestone Processing Plant (ILPP) was put on hold due to the restricted entry of foreign experts to Malaysia to install the prefabricated plant equipment at the ILPP.

What are the operational impacts to the Company due to the delay in completing the project? Will the delay result in cost overrun to Borneo Oil?

- A: Borneo Oil is not the Owner of the ILPP, but the Turnkey Contractor and Manager appointed by the Project Owner.

The operational impact to the Company is mainly on the monthly fixed costs, e.g. the affected manpower and other resources will be redeployed to assist on other business segment – limestone division.

The completed ILPP will be using limestone supplied from Borneo Oil's limestone quarries as it's main feedstock and this is expected to contribute to the group's revenue.

- 4) Q: Borneo Oil reported dore gold production of 27.35kg, 40.47kg, 40.53kg and 8.4 kg in FY2016, FY2017, FY2018 and FY2019 respectively (Borneo Oil's Annual Reports & Reply to MSWG dated 20 December 2019).

What are the factors determining the production of dore gold and volume of ore mined? How much dore gold was produced for FY2020?

- A: Most of Borneo Oil's mines are still at the developmental stage and under various phases of exploration. In the previous years, the mining of alluvial gold resulted in the production of the dore gold as previously reported.

The volume of the ore mined is highly dependent on the area of mining which is determined by reasonable assessment of the existence or otherwise of economically recoverable reserves before a viable production of dore gold can commenced.

The dore gold production was put on hold in FY2019 due to the raising fuel price. There was no dore gold production in FY2020 in order for the team to focus on the gold exploration on the 8 zones (Zone A to H) in Bukit Ibam, Pahang. A report under the Australasian Code of Reporting of exploration Results, Mineral Resources and Ore Reserves ("JORC Report") has been prepared and signed off by a "Competent Person" on part of Zone B was announced on 6 August 2020.

Exploration of this Area is still ongoing at this time. The overall timeline for exploration works has been delayed in 2020 due to various movement control orders imposed which prevented normal work flow.

- 5) On 6 August 2020, Borneo Oil & Gas Corporation Sdn Bhd (BOG) has completed the JORC Report (which detailed the exploration results, mineral resources and ore reserves) for the first out of the eight zones (Zone A to H) in the Bukit Ibam Gold Prospect area in Pahang.

- a) Q: What is the next step of project implementation upon completing the JORC report?

- A: BOG will identify a suitable and competent sub-contractor for the joint collaboration to undertake the next phase of the mining work. The collaboration will reduce BOG's capital outlay required for the mining works and free the Company's resources to continue with the exploration works on other Zones A, C, D, E, F, G & H and assess the resources therein. It will also provide an opportunity to collaborate in the field of mining and to utilise each respective party's experience and strength.

- b) Q: Based on the total estimated gold resources of 22,000 oz in the first zone (Borneo Oil's announcement dated 6 August 2020), what is the estimated production of dore gold and the value of it? How many years will it take to extract it?

- A: The next phase would be to finalise the Mining Scheme and obtain the various approvals before proceeding with the excavation of the mining ore to be conducted by a competent sub-contractor to be appointed by BOB. At the same time, the company will assess on the best method to process and extract the gold.

The Company has already identified few possible methods for processing the gold ore and is finalising the best method. Assuming that the pandemic won't cause major work stoppage in 2021, the Company is looking to see some production in the last quarter of 2021. Based on the current estimated gold resources, it will take approximately 5 years to extract it.

- 6) Borneo Oil's total trade receivables increased to RM44.45 million in FY2020 from RM15.75 million in FY2019. The substantial increase was due to a retention sum of RM17.35 million relating to construction contracts (Note 11(a) Trade Receivables, page 117 of AR2020).

a) Q: To which construction project does the retention sum relate to? Will the impacts resulting from the COVID-19 pandemic affect the recoverability of the retention sum?

A: The construction project refers to the ILPP as mentioned earlier. Barring any unforeseen circumstances, the Company does not foresee any impacts resulting from the COVID-19 pandemic that will affect the recoverability of the retention sum.

- b) Q: As of 30 June 2020, 60% or RM16.35 million out of Borneo Oil's RM27.1 million trade receivables (excluding the RM17.35 million retention sum) have aged past-due for more than 90 days (Note 11(a) Trade Receivables, page 118 of AR2020).

To which business do these outstanding trade receivables relate to? What is the recoverability of these receivables?

A: The outstanding trade receivables were mainly from the Property Investment and Management and Resources & Sustainable Energy segment. The Group had taken reasonable steps to recover the outstanding receivables and payments were received from the debtors on a monthly basis.

- 7) Q: Borneo Oil derived 36% or RM31.91 million of total RM88.29 million revenue in FY2020 (FY2019: RM36.08 million) from Customer A. Does the Company perceive this as a customer concentration risk? If yes, what will be done to address this risk?

A: The Company acknowledged the significant contribution to the revenue from Customer A which was derived from the ongoing project and the Group is constantly exploring new business opportunities on a longer-term basis as detailed in our fund raising announcement dated 17 Nov 2020.

Corporate Governance Matters

- 1) The cost incurred for the internal audit (IA) function in respect of the financial year ended 30 June 2020 is RM18,000 (page 32 of AR2020).

a) Q: Given that the fee is rather small (approximately RM1,500 per month), how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function? How many internal audit reports were issued for the year?

- A: One internal audit report was issued on a yearly basis and the Board had put in place an effective risk management and systems of internal control to ensure the adequate coverage and an effective audit function.
- b) Q: The IA function focuses on the internal control and governance process of reporting revenue based on contractual agreements, requisition and payment processing in FY2020. Does Borneo Oil see the need to expand the scope of IA?
- A: The Board is fully aware of the importance of the internal audit functions. The Board adopts a risk based approach and prepares its internal audit plan based on the risk profiles from the risk assessment of the Group. Scheduled internal audit plan and scope are rotated on an annual basis and carried out with approval from the Audit Committee.
- 2) Q: Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:
- a) **Practice 10.2:** The board should disclose–
- whether internal audit (IA) personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
 - the number of resources in the internal audit department;
 - name and qualification of the person responsible for internal audit; and
 - whether the internal audit function is carried out in accordance with a recognised framework.

Borneo Oil's response: Applied.

MSWG's comment: The Board did not disclose the number of resources in the IA department (e.g., number of personnel), the name and qualification of the personnel (e.g., the Head of IA) responsible for the IA function.

- A: The Group does not have a IA department and the internal audit function was outsourced to an independent professional firm, Valens Consult Services Sdn Bhd. The independent internal audit firm carried out the internal audit functions in accordance with a recognised framework.

Questions During 36th AGM

Question from LIM CIAN YAI (Representative from MSWG)

- 1) Q: Morning Datuk Chairman, I'm corp rep from MSWG. Appreciate the Board could present the Q&A from MSWG on screen for ease of reference by shareholders in future meetings. Thank you.
- A: Your comments have been well noted and the Board will try to adopt the recommendations from MSWG.

Question from ANUAR BIN IBRAHIM

2) Q: I hardly can't find the inventories of 1) limestone and 2) gold currently in stock in BOB annual report.

A: Please refer to item 12 on page 120 of our Annual Report 2020. As at 30 June 2020, we had a stock value of RM16,858,864 in limestone and nil for gold.

Question from LEE SOON CHONG

3) Q: Good morning. What is the outcome of the MOU between Borneo Oil and Minetech?

A: The Company is still in the process of negotiating with Minetech and if the Company decides to proceed whether with Minetech or otherwise, it will make the necessary announcement(s).

Question from TEO CHER MING

4) Q: Please update us on Bukit Ibam gold mine.

A: Following the successful gold exploration works on Zone B of the Bukit Ibam Gold Prospect area in Pahang, the Company has embarked on the next exploration area of interest at Zone H to assess the resources therein.

Assuming that the pandemic will not cause major work stoppage in 2021, the Company is looking to see some production in the last quarter of 2021.

Question from ANUAR BIN IBRAHIM

5) Q: Hope BOD of BOB could reconsider again to announce limestone and gold production in monthly bursa Malaysia announcement. As shareholder I really interested and excited to know the progress of the production

A: Thank you for taking an interest on our limestone and gold production operations. Currently, there is no requirement on the announcement for monthly production figures on limestone and gold mining activities. However, we will from time to time update our limestone and gold mining operations in our quarterly financial results and Annual Report.

Question from ONG BOON TECK

6) Q: Can the company makes transparent on the KPIs set by remuneration committee (if any) for the management and the BOD.

The framework of measurement is based on established Key Performance Indicators that drive sustainable growth in shareholder value over the long term.

A: There is an existing criteria for assessment in the Employment Manual.

Question from HONG KOK HENG

7) Q: Dear Board of Director, hope that will consider give e-wallet like Boost or T&G to your loyalty shareholders that spend effort & times to support this virtual AGM, thanks.

A: We have taken note of your request on e-wallet recommendations but we have not implemented our own e-wallet yet and will consider your recommendation if we launch our own e-wallet next year. However, we will be giving away RM50 e-voucher to all 36th AGM attendees who write in and request from us as mentioned in the above.

Question from SIM YEE FUAN

8) Q: 1) investment properties amounted to RM612.3 mil. what are these investment are use for? and how much rental income was derived from these investment properties? 2) what is the progress of extraction of gold from the mine? when will be the first extraction is expected to be?

A: 1) These investment properties were mostly held for capital appreciation with mineral resources contained therein (eg, limestone, magnesium etc.)
A total of RM354,060 and RM397,723 were received as rental income for the FY2020 and FY2019 respectively.

2) Please refer to our reply to question no.5 of MSWG's queries.

Question from HONG KOK CHUANG

9) Q: Dear BOD, What is the Group strategy at Gold Mining on moving forward?

A: Please refer to our reply to question no.5 of MSWG's queries.

Question from SIM YEE FUAN

10) Q: 1) with shareholders' fund of RM671.8 million, the Company only generate revenue of RM88.289 mil and profit of RM1.598 mil. What are the plans to improve the performance and what is the expectation of the management? 2) Directors remuneration of RM1.877 mil against profit of RM1.598 mil. Please explain the rationale for paying such remuneration. 3) who is the ultimate shareholder that hold 21.16% in the Company and what is the total interest this shareholder has in the Company?

A: 1) Please refer to our reply on a similar question posted by TAN SHOI CHEW as below.

2) The Remuneration Committee determines the Group's remuneration practices with the aim of attracting, retaining and motivating high calibre directors to deliver value to its shareholders. It takes into account of the demands, complexities and performance of the Group as well as skills and experience required to deliver long-term success and promote business stability and growth. To ensure the competitiveness of remuneration, the Remuneration Committee obtain up to-date market information conducted by independent professional companies for remuneration benchmarking. Individual directors are abstained from discussion of his or her own remuneration but may attend the Committee

meetings at the invitation of the Chairman of the Remuneration Committee. 3) Lei Shing Hong Securities Limited is the subsidiary of Lei Shing Hong Limited, a major international conglomerate with headquarters in Hong Kong SAR. They are the top shareholder which holds a total of 21.16% stake in Borneo Oil Bhd.

Question from ONG BOON TECK

11) Q: What is the motivation behind for private placement at a lower price but continue shares buy back at a higher price? Q2. Potential dividend possibility for the next 3 years?

A: The Company has to work on a balance between the need to raise fund and the need to ensure that the trading of its shares are not too low a discount from its NTA value. Treasury Shares purchased will in the future be considered for the following purposes - dividend payments, purchases or acquisition(s) in lieu of cash, private placement or sale to the open market for cash flow gains.

Question from TAN SHOI CHEW

12) Q: How can the company prop up the share price? Is Borneo Oil going to remain as penny stock forever?

A: Once we can start to commence with the gold mining and coupled with the limestone supply to the Integrated Limestone Processing Plant, we should see improvement to our Group's performance and hopefully that will bring up our share price.

3. ORDINARY RESOLUTIONS 1 TO 9

The following Ordinary Resolutions were duly passed and approved by the Shareholders of the Company by way of poll via remote participation and voting at the 36th AGM of the Company:-

- **ORDINARY RESOLUTION 1**
To re-elect Mr. Chan Keng Leong as a Director
- **ORDINARY RESOLUTION 2**
To re-elect Mr. Tan Kok Chor as a Director
- **ORDINARY RESOLUTION 3**
To approve the payment of Directors' fees amounting to RM351,960.00 to Non-Executive Directors for the financial year ended 30 June 2020
- **ORDINARY RESOLUTION 4**
To approve the payment of Directors' fees and benefits of up to RM1,800,000.00 payable from 17 December 2020 until the next 37th Annual General Meeting
- **ORDINARY RESOLUTION 5**
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 6**
To approve the continuation in office of Mr. Tan Kok Chor as the Independent Non-Executive Director (tenure more than 12 years).
- **ORDINARY RESOLUTION 7**
To approve the continuation in office of Mr. Michael Moo Kai Wah as the Independent Non-Executive Director (tenure more than 12 years).
- **ORDINARY RESOLUTION 8**
Authority to allot Shares pursuant to Section 75 & 76 of the Companies Act, 2016.
- **ORDINARY RESOLUTION 9**
Proposed Renewal of Authority for Share Buy-Back

4. DETAILS OF VOTING RESULTS

The details of the voting 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	1,896,268,554	99.9962	72,504	0.0038
Ordinary 2	1,896,268,554	99.9962	72,504	0.0038
Ordinary 3	1,891,914,554	99.9366	1,200,004	0.0634
Ordinary 4	1,891,697,754	99.9252	1,416,804	0.0748
Ordinary 5	1,894,178,554	99.8786	2,302,504	0.1214
Ordinary 6	Tier 1 (Large Shareholder(s))			
	1,264,608,250	100.00000	0	0.0000
	Tier 2 (Other Shareholder(s))			
	629,410,204	99.9885	72,604	0.0115

Ordinary 7	Tier 1 (Large Shareholder(s))			
	1,264,608,250	100.0000	0	0.0000
	Tier 2 (Other Shareholder(s))			
	629,410,204	99.9885	72,604	0.0115
Ordinary 8	1,893,269,454	99.9566	821,604	0.0434
Ordinary 9	1,896,408,554	99.9962	72,504	0.0038

5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the Meeting closed at 11:23 a.m.