

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

**SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH (40<sup>TH</sup>) ANNUAL GENERAL MEETING OF BORNEO OIL BERHAD (“THE MEETING”) HELD ON THURSDAY, 19<sup>TH</sup> DECEMBER 2024, 10:00 AM AT MEZZANINE FLOOR, SHELL PLAZA, 29, JLN. TUNKU ABDUL RAHMAN, PUSAT BANDAR, 88000 KOTA KINABALU, SABAH**

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**1. CHAIRMAN OF THE MEETING**

Mr. Tan Kok Chor, the Non-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**

**Question 1:**

The Group’s revenue declined by 7.5% to RM78.56 million in the financial year ended 30 June 2024 (FY2024) from RM84.99 million in FY2023. Nevertheless, the Group posted a net profit of RM36.33 million, a significant improvement from a loss of RM13.04 million in FY2023 (page 5 of Annual Report 2024).

The turnaround performance was primarily driven by a substantial fair value gain of RM159.88 million on quoted securities, particularly from Verde Resources, Inc. (VRDR), which is traded on the US OTC Markets. As of 30 June 2024, VRDR’s share price was US\$0.45. The carrying amount of investment in VRDR of the Group and the Company amounted to RM339.52 million and RM337.94 million (page 104 of AR2024).

However, Bornoil later reported massive losses of RM157.36 million in the first quarter that ended 30 September 2024 as it recorded a fair value loss of RM148.38 million on quoted securities of VRDR. As of 30 September 2024, VRDR closed at US\$0.275. The investment in VRDR is the main profit and loss driver for Bornoil.

- a) How long has the Group invested in VRDR? What was the entry cost vis-à-vis the current book value? How much per cent of equity interest does Bornoil hold in VRDR?

*Answer: The Group has been invested in VRDR since 10 May 2021, with an entry cost per share ranging from USD 0.025 to USD 0.13 and a weighted average cost per share of USD0.0311. As of 30 June 2024, the Group’s equity interest in VRDR stands at 13.33%*

- b) The volatile price movement of VRDR and its strong correlation with Bornoil’s financial performance may dampen investors’ interest in investing in Bornoil.

Given the substantial value gain recorded in VRDR, is the time ripe for Bornoil to realise its investment in VRDR?

Answer: The Board is holding this investment for long-term appreciation and remains confident in the stock's future performance, which has yet to be fully unlocked.

VRDR is currently collaborating with C-Twelve Pty Ltd and TerraZyme for the production and commercialisation of asphalt surfacing-related products in the United States. These products are undergoing testing at the National Center for Asphalt Technology (NCAT) Test Track.

As previously announced by VRDR, the company has initiated preparations for an equity raise and its planned uplisting to NASDAQ. Upon successful listing, Bornoil expects to realise a significant gain in the value of its investment in VRDR shares.

**Question 2:**

During FY2024, Bornoil expanded its Food and Franchise Operations (FFO) to Bangladesh with the setup of a Sugarbun outlet there. On top of this, the Group has 10 Sugarbun and 6 Pezzo outlets in Brunei (page 7 of AR2024).

- a) Bangladesh has been mired in political uncertainties since its former Prime Minister Sheikh Hasina was ousted and she subsequently fled to India in August 2024. Moreover, a bleak economic outlook and ongoing labor unrest have undermined the country's economic performance.

Why did Bornoil expand the FFO operation to Bangladesh? Which part of Bangladesh is the Sugarbun outlet located? What is Bornoil's long-term plan in Bangladesh?

Answer: There is only one SugarBun outlet operating in Chittagong City, Bangladesh. This outlet has been operated by our franchisee since January 2009. It is not a new setup, however, the Company is always supportive of Franchisee's if they desire to expand their franchise business.

- b) Overall, what is the overseas revenue contribution to the FFO's overall performance? How has the foreign market performed financially and operationally over the past three years?

Answer: The foreign market has performed reasonably well, with overseas revenue contributions to the FFO primarily comprising sales of goods and franchise fees, detailed as follows:

Year	Sales of Goods	Franchisee Fee	Total
2022	1,343,226	485,961	1,829,187
2023	2,143,562	581,833	2,725,395
2024	1,433,638	590,981	2,024,619

- c) Under the FFO segment, Bornoil said *"the profit this year is primarily due to the depreciation of land related to the palm oil plantation division established in 2024"* (page 19 of AR2024).

Please explain and elaborate on this statement. Additionally, what is the newly established palm oil plantation division about?

Answer: The depreciation of the palm oil plantation division was assigned to the respective segments resulting in an improvement in the profit of the FFO segment.

The Group holds approximately 731 acres of leasehold oil palm plantation land in Ulu Segama, Lahad Datu district, classified as Investment Properties. Previously, this land was leased out for fixed revenue. However, in 2024, the Group decided to manage these oil palm plantations directly through the FFO division.

**Question 3:**

Apart from FFO and Head Office & Others (in which investment in quoted securities is parked under), the other business divisions recorded lower revenue and widened losses in FY2024.

- a) Does the Group expect earnings recovery for the Property Investment & Management and Resources & Sustainable Energy in the near term? What are the catalysts for better financial performance?

Answer: With the completion of the ILPP, the Property Management and Investment Sector will shift its focus to developing portions of its touristic land banks. The initial planning stage has already been completed, leveraging the robust recovery of the tourism sector following the end of the COVID-19 pandemic.

Recent developments within Sabah's Oil and Gas Sector present significant opportunities for Sabah-based companies. The State Government has announced its Commercial Collaboration Agreement (CCA) with Petronas. Under this agreement, all contracts for works in Sabah fields must include a Sabah element, with a minimum local participation of 30% in 2024, increasing to 50% in 2025.

Through a special Vendor Development Programme, Sabahan companies can enter smart partnerships with technical providers to participate in supply and development contracts. In response to this opportunity, the Group has recently incorporated new subsidiaries within the Resources and Sustainable Energy Sectors, positioning itself to capitalise on this growing sector.

**Question 4:**

Bornoil's external auditors Thelyx Malaysia PLT highlighted that impairment assessment of property, plant and equipment (PPE) is one of the key audit matters (KAMs) highlighted in FY2024 (pages 101 – 104, AR2024).

- a) The Group has recognised an impairment of PPE amounting to RM8.21 million (page 103 of AR2024). What were the enquiries made by the external auditor on management assumptions to determine if impairment should be carried out and the quantum of impairment to be made?

Answer: The impairment of PPE amounting to RM8.21 million primarily pertains to the Carbon-In-Leach (CIL) Plant for the gold mining project at Bukit Ibam. As the gold mining project is still in the exploration stage, the historical cash flow does not indicate a positive CGU. From a prudent perspective, the auditors have recommended a full impairment of the costs.

It is important to note that the impairment of these assets is purely an accounting treatment reflecting the current situation and does not impact the viability or future prospects of the gold mining project at Bukit Ibam.

### **Question 5: Investment in subsidiaries**

During FY2024, an impairment review of investment in subsidiaries gave rise to the recognition of impairment losses of RM93.99 million (FY2023: RM8 million). The impairment losses arose mainly because the subsidiaries have recorded a decline in the value of their assets compared to their carrying amount (pages 155 & 158, Note 8 – Investment in subsidiaries, AR2024).

As of 30 June 2024, the accumulated impairment losses of investment in subsidiaries rose to RM132.09 million from RM38.1 million in the previous year. In total, Bornoil's total cost of investments in subsidiaries amounted to RM400 million (page 155, Note 8 – Investment in subsidiaries, AR2024).

- a) Please provide the breakdown of the impairment losses by each affected subsidiary, the size of the impairment and their business activities in the form of a table.

**Answer:**

Subsidiary Name	Business Segment	Business Activities	Impairment Amount
SB Resorts Sdn Bhd	Property Investment & Management	Project management, property investment	RM58.64 mil
Borneo Oil Corporation Sdn Bhd	Resources & Sustainable Energy	Gold mining, limestones, sand and stones mining	RM35.35 mil
<b>Total</b>			<b>RM93.98 mil</b>

- b) What assets were impaired from their books? What were the unfavourable events or circumstances (external and internal) that led to the investments being impaired?

Answer: The impairment was made in accordance with MFRS 136 Impairment of assets as the investment in subsidiaries have recorded a decline in the value of their assets compared to their carrying amount as assessed by the auditors.

- c) With the massive impairment losses recorded, does the Group see the need to review its investment policy to ensure that future investments are carried out prudently and diligently?

Answer: The Group has consistently taken all reasonable steps to evaluate its investments carefully. Certain previous investments, such as gold mining, required longer periods to mature, which may not always be favourable under the current accounting standards.

### **Question 6: Investment in an associate (pages 158 – 161, AR2024)**

In April 2022, Bornoil acquired a 15.5% stake in Makin Teguh Sdn Bhd (MTSB) for RM50.7 million in April 2022. Subsequently, it increased its stake in MTSB by another 13.76% for RM45 million in July 2022.

On 27 July 2023, Bornoil acquired an additional 20% equity interest in MTSB for RM40 million in cash. Upon completion of the acquisition, Bornoil now holds 49.27% of MTSB which operates an Integrated Limestone Processing Plant (ILPP) in Lahad Datu.

In a reply to MSWG's questions dated 16 December 2022 (ref: BOB/MSWG/sf1612), Bornoil justified its investments in MTSB to ride on rising demand for cement in Sabah, given the growing infrastructure development needs and the implementation of mega projects such as the Pan Borneo Highway.

However, Bornoil's optimistic projection was not reflected in MTSB's financial performance. Instead, MTSB's financial performance worsened with lower sales and higher losses despite robust infrastructure and construction activities in Sabah.

MTSB continued to be in the red during FY2024 with a total loss of RM62.05 million (FY2023: -RM201.88 million). Its revenue was marginally higher at RM12.48 million (FY2023: RM12 million) (page 161, Note 9 – Investment in an associate, AR2024).

Prior to this, MTSB has been incurring losses in FY2019 and FY2020 (refer to table below). It managed to record profit in FY2021 primarily due to the fair value gain of investment properties. Without the fair value gain, MTSB would have been making losses in FY2021.

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

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

- a) With the substantial 49.7% ownership in MTSB, does Bornoil have any representative on MTSB's board?

Answer: We do not have any representatives on MTSB's board. However, we engage with the MTSB board from time to time on matters related to the operations of the Plant.

- b) Why was MTSB's financial performance worsened in recent years compared to FY2019 – FY2021?

Answer: The decline in financial performance in recent years was primarily due to the production trial run of the ILPP, which required manpower, raw materials, and fuel to fine-tune operations and achieve efficient production levels.

- c) Bornoil said MTSB has now obtained the requisite product conformity certificates for cement (page 25 of AR2024).

Does this mean MTSB's cement products have fully complied with the requisite standards, thus they are safe to be used in construction? With this in place, could shareholders expect a drastic improvement in MTSB's financial performance, i.e., higher sales of cement products, in the next two to three years?

Answer: The obtainment of the Certificate of Conformity for MTSB's products indicates that the Products have undergone relevant testing and procedure audits and have been certified by the Construction Industry Development Board (CIDB) in accordance with the requirements of the Malaysian Construction Industry Standards, making them safe for use in construction. This certification opens up more sale opportunities.

- d) Due to MTSB's underperformance for years, Bornoil's investments of RM135 million in MTSB were reduced to nil (FY2023: nil). Judging from the financial performance, this investment was an unfruitful one despite RM135 million invested in it.

The decision to enter the business was strategised by Group Managing Director Datuk Joseph Lee Yok Min @ Ambrose, with review by the Audit Committee and approval from the Board.

With the dismal financial performance of the associate after substantial capital has been invested, how should the management and board be held accountable for this investment decision? How long should shareholders wait for better returns from MTSB? What is the likelihood of reversing the impairment of the investment in MTSB in the near term?

Meanwhile, how did the Remuneration Committee assess the performance of board members considering Bornoil's dismal investment performance in MTSB?

Answer: Since the start of the construction of the ILPP in 2017, from groundbreaking to full commercial production, extensive planning and time are required to achieve positive results. During the construction phase, the project experienced delays due to various challenges, such as restricted construction activities on-site and the restricted entry of foreign nationals into Malaysia who possess the necessary expertise to install the prefabricated plant equipment at the ILPP.

Long-term investments like this require longer periods to mature, which may not align with the current accounting standards from a prudent perspective. However, the Board remains optimistic, as this will be the first integrated clinker and cement plant in Sabah, which is strategically important.

The remuneration policy for the Directors aims to set a fair and equitable package to attract, retain, and motivate them, ensuring alignment with the corporate strategy and the long-term objectives of the Group.

- e) Additionally, why was the investment in an associate not considered a KAM considering Bornoil's substantial investment in MTSB and the subsequent impairment?

Answer: The investment in the associate, was not considered a Key Audit Matter (KAM) because it did not present significant magnitude at the Group level as the investment was reduced to nil through equity method by the end of the financial year. Hence, it had no material impact on the financial statements and no judgement involved.

#### **Question 7: Amount owing by/(to) an associate (page 170, Note 16, AR2024)**

Bornoil impaired RM45.722 million worth of amount owing by MTSB to the Group in FY2024 comprising trade and non-trade balances (FY2023: RM1.74 million).

Bornoil has an arrangement to supply raw materials such as limestones to MTSB for clinker and cement plant use. Given that MTSB is facing repayment issues, Bornoil might not be able to recover the outstanding amount as it continues to supply raw materials to MTSB.

How do the Board and Management safeguard Bornoil's interests, ensuring that the amount is recoverable when entering into these transactions? Does the Group continue to supply the raw materials to MTSB? What is the likelihood of recovering the impaired amount?

Answer: The Board and Management have adopted a proactive approach to safeguard Bornoil's interests. The Group is currently negotiating a settlement scheme with MTSB to recover the outstanding amounts. In addition, stringent monitoring measures are being implemented to ensure future transactions align with the Group's risk management framework.

Despite the challenges, the Group continues to supply limestone to MTSB due to the strategic importance of cement production in Sabah. The proximity of the ILPP to the limestone quarry, located in a remote area of Lahad Datu, positions MTSB as a key customer for Bornoil. This arrangement optimises the utilisation of the quarry's resources.

While the outstanding amount has been impaired in the financial statements, the Board remains optimistic about recovering the impaired amount through ongoing settlement negotiations with MTSB.

The cement industry is a strategic pillar for Sabah, and the success of MTSB is critical to the region's economic development. The Board is confident in MTSB's eventual success, which will not only benefit Bornoil but also strengthen the broader construction industry in Sabah.

## **Corporate Governance Matters**

### **Question 1:**

Bornoil appointed Mr Riorn Lee Kah Vui as a new executive director on 2 December 2024.

- a) What is the rationale of appointing Mr Lee as another ED given that Bornoil already has appointed three executive directors - Datuk Joseph Lee, Ms Georgia Suzanne Lingam @ Georgianne and Mr Sri Ganesh K Balasubramaniam?

What are the worthy qualities the Nomination Committee observed in Mr Lee and thus recommending the appointment?

Answer: Mr. Riorn Lee is a lawyer with over ten years of experience in legal, conveyancing, and courtroom practice. He is well-versed in Company and Intellectual Property Law. His addition to the Board aligns with the Group's overall succession planning agenda. This issue has been highlighted by shareholders previously, and the Group is actively assessing new talents from within and externally to be developed and groomed for key management positions, ensuring the continuity of every sector within the Group.

- b) According to Paragraph 7.22 of the Main Market Listing Requirements, directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the conclusion of the next AGM, at which point they must stand for re-election. Bornoil made the same remark on page 50 of AR2024.

Given this, why did Mr Lee not stand for re-election at this meeting? Shouldn't the Board have tabled a resolution to propose his re-election and sought shareholders' approval accordingly?



Answer: Thank you for highlighting to us via your query letter dated 13 December 2024. It has been an oversight. The issue has been rectified via the Company's Amended Announcement dated 17th December 2024 on the Notice of 40<sup>th</sup> Annual General Meeting. (Kindly refer to Addendum and Additional Proxy Form which has been uploaded at Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com))

**Question 2:**

The Board convened 12 board meetings throughout FY2024 (page 44 of AR2024). What were the key matters considered by the Board in the meetings held during the year?

Answer: The Board meetings for FY2024 primarily focused on matters related to the adoption of accounts, the approval of the proposed Employee Share Option Scheme, and boardroom appointments. These discussions constituted the core agenda of the additional meetings held during the financial year.

**Question 3:**

Referring to the disclosure of directors' fees and benefits paid (page 53 of AR2024), what is the breakdown of salaries and bonuses for Ms Georgia and Mr Sri Ganesh?

Answer: No bonuses were paid to the directors for FY2024.

Name	Fees	Salaries	Total
Georgia Suzanne Lingam @ Georgianne	RM60,000.00	RM151,111.00	RM211,111.00
Sri Ganesh A/L K Balasubramaniam	RM24,000.00	RM175,588.00	RM199,585.00

**Additional questions raised during the AGM**

**Question 1:**

Following responses to MSWG's questions on Borneo Oil's 49.27% investment in Makin Teguh Sdn Bhd (MTSB), why did the Company not appoint any board representative to MTSB's board given the substantial investment of RM130.7 million and 49.27% interest in the latter? Has Borneo Oil made such a request before?

Answer: Borneoil does not have a direct representative on the board of MTSB. However, the company maintains active engagement with MTSB's board by meeting periodically to discuss operational and financial matters and address any arising issues. Additionally, Borneoil exercises significant influence over MTSB through its voting rights on matters concerning the company's strategic direction.

**Question 2:**

Earlier on, the production of MTSB's integrated clinker & cement plant was affected by the production trial run. Has the plant fully commenced the operation? If yes, what is the current status and utilisation rate? Since the plant has obtained certification of products from CIDB, how will MTSB perform financially moving forward? Has the Company secured any offtake agreements from clients?

Answer: MTSB has made significant strides in its cement production, with grinding operations currently running at approximately 70% of rated capacity. The kiln is still undergoing fine-



tuning to enhance fuel efficiency, an essential step in optimizing production and reducing operational costs.

With the certification from the CIDB, sales are expected to improve further, strengthening MTSB's market credibility. Presently, the MTSB has secured offtake arrangements with two companies, providing a stable sales foundation.

**Question 3:**

When will the amount owing to associate amounting to RM45 million be recovered? What are the terms imposed in the proposed settlement scheme with MTSB?

Answer: The management remains optimistic about the recovery of the amount in the near future, anticipating positive cash flow as MTSB's kiln achieves optimal operational efficiency. This improvement is expected to bolster overall production capabilities and financial stability, positioning MTSB for sustained growth.

**Question 4:**

What happened to the gold mining activities at Bukit Ibam, Pahang? Besides, the Company did not provide an update on the segment in the annual report 2024, please consider doing so in future annual reports.

Answer: Gold mining activities at Bukit Ibam remain in the exploration stage, as noted in the latest annual report. However, the outlook appears increasingly optimistic, with ongoing discussions with a potential investor to initiate mining operations. Any positive developments from these talks will be announced in due course.

***Note: This has been replied officially via Borneo Oil Berhad's Letter addressed to MSWG.***

### **3. ORDINARY RESOLUTIONS 1 TO 9**

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

- **ORDINARY RESOLUTION 1**  
To re-elect Mr. Sri Ganesh A/L K Balasubramaniam as a Director
- **ORDINARY RESOLUTION 2**  
To re-elect Ms. Georgia Suzanne Lingam @ Georgianne as a Director
- **ORDINARY RESOLUTION 3**  
To approve the payment Director's fees amounting to RM405,000.00 to Non-Executive Directors for the financial year ended 30 June 2024
- **ORDINARY RESOLUTION 4**  
To approve the Directors' fees and benefits of up to an amount of RM1,715,695.00 payable from 20 December 2024 until the next Annual General Meeting

- **ORDINARY RESOLUTION 5**  
To re-appoint THELYX MALAYSIA PLT (formerly known as 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 retention of Mr. Seroop Singh Ramday as the Independent Non-Executive Director.
- **ORDINARY RESOLUTION 7**  
Renewal of Authority to allot and issue Shares pursuant to Section 75 & 76 of the Companies Act, 2016.
- **ORDINARY RESOLUTION 8**  
Proposed Renewal of Authority for Share Buy-Back.
- **ORDINARY RESOLUTION 9**  
To re-elect Mr. Riorn Lee Kah Vui as Executive Director pursuant to Clause 118 of the Company's Constitution.

#### 4. DECLARATION OF POLL RESULTS

The details of the poll results of each of the Resolutions tabled at the 40<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.

Resolutions	Vote For		Against	
	No. of Shares	%	No. of Shares	%
<b>Ordinary 1</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 2</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 3</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 4</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 5</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 6</b>	3,066,836,825	99.4211	17,856,650	0.5789
<b>Ordinary 7</b>	3,066,836,825	99.4211	17,856,650	0.5789
<b>Ordinary 8</b>	3,066,836,925	99.4211	17,856,550	0.5789
<b>Ordinary 9</b>	3,084,693,375	100.0000	17,856,550	0.5789

#### 5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the meeting closed at 11:15 a.m.