KIM LOONG RESOUCES BERHAD (22703-K) Appendix 1
Minutes of 44th AGM held on 25th July, 2019

Company's answers to the questions from the Minority Shareholder Watchdog Group vide letter dated 15th July, 2019

Strategic & Financial Matters

Q1 As reported in the Chairman's Statement, the profit form milling operations for FY2019 dropped by 15% or RM7.5 million to RM43.3 million mainly due to competitions for crops in Sandakan region resulting in a squeeze in processing margin. (page 22 of Annual Report)

(a) Is the shortage of oil palm fruits a persistent problem in Sandakan and is this problem expected to continue?

(b) What are the measures the Company has taken to overcome the problem?

A1 (a) We expect the operating environment of our mill at Telupid, Sabah to be challenging in terms of competition for oil palm fruits supply during low crop season in view of an additional commercial mill set up in the vicinity last year.

(b) To overcome the challenges in term of oil palm fruits supply, the Group will continue to monitor the operating environment to remain competitive on pricing offer to our existing and potential suppliers. In order to maintain competitive pricing, the Group has put in its best efforts to improve milling efficiency and maintaining good service and relationship towards crop suppliers in the vicinity such as providing assistance to smallholders for their MSPO certification.

Q2 The Kota Tinggi biogas plant is expected to commence operation by first half of 2019. (page 23 of Annual Report)

(a) What is the construction cost incurred for the construction of the Kota Tinggi biogas plant?

(b) What is the expected internal rate of return ("IRR") from the biogas plant?

(c) How long is the power purchase agreement with Sustainable Energy Development Authority ("SEDA") for the supply of power to the grid from the Kota Tinggi biogas plant?

A2 (a) The construction and set up cost incurred for our biogas plant at our Kota Tinggi mill under the Feed-in Tariff project ("Project") is approximately RM13 million.

(b) The expected IRR of the Project is 20% to 30% depending on the volume of FFB processed.

(c) The duration of the Renewable Energy Power Purchase Agreement entered for supply of power to the grid from the biogas plant at Kota Tinggi Mill is 16 years.

Q3 The dividend payout ratio for FY2019 approximates 107% of the annual profit attributable to owners of the Company. (page 23 of Annual Report)

(a) Can the Company sustain the high dividend payout ratio of more than 100% of the net profit attributable to owners of the Company in the future?

(b) What is the dividend policy of the Company?

A3 (a) The Board noted the Company's dividend pay-out ratio for the FY2019 was 107%. The Company always exercises careful consideration on the Group's sustainable cash flows requirements for operations and committed capital expenditure as well as maintaining reserve for potential expansion and projects before making a decision on the dividend declaration. The Company would continue to reward its shareholders with attractive dividend yield in future, but it is not sustainable for the Company to maintain a dividend pay-out ratio of more than 100% of net profit attributable to owners of the Company in long run.

(b) The Company currently has no formal dividend policy. Nevertheless, the Company targets to distribute at least 30% of the Group's annual net profit as dividend and to maintain attractive dividend yield.

Q4 The Group's CPO extraction rate performance of mills in the Sabah State has outperformed the Sabah State average (22.45% vs 20.6%) respectively. (page 28 of Annual Report)

(a) What is the reason for the higher CPO extraction performance from the Sabah mill?

(b) Can the Company further improve the CPO extraction rate performance? If yes, what is the targeted increase in terms of percentage?

A4 (a) The Group's two mills in Sabah have been performing well in terms of CPO extraction rate as compared to the Sabah State average CPO extraction rate mainly due to the following:

(i) stringent fresh fruits bunches ("FFB") grading practices;
(ii) high standard of harvesting practice in the Group's estates which supply crops to own mills; and
(iii) Strategic implementations and good management skills in maximizing oil extraction efficiency as well as minimizing potential oil loss.

(b) Although our mills in Sabah have been operating at high level of efficiency, the management will continue to optimize its milling efficiency and CPO extraction rate performance. Meanwhile, the management does not set any targeted increase in oil extraction rate as performance of oil extraction rate is also subject to factors beyond the management's control such as weather.

Q5 Kim Loong Corporation Sdn. Bhd. and its subsidiary ("KLC") recorded a higher profit after tax loss of RM13.8 million in FY2019 as compared to a profit after tax of RM0.067 million in FY2018. (page 138 of Annual Report)

(a) What was the reason for the higher loss?

(b) What are KLC's businesses?

(c) What is the outlook of KLC in FY2020 in terms of profitability?

A5 (a) The main reasons for the higher loss after tax recorded by KLC are:

(i) lower FFB selling price resulting in lower profit margin on selling FFB;
(ii) other income recorded in the FY2018 in respect of the reversal of impairment loss of RM2.9 million on property, plant and equipment and bearer plants; and
(iii) reversal of deferred tax assets of RM7.6 million previously recognized on unabsorbed tax loss due to a change in tax legislation. (see page 126 of Annual Report)

(b) KLC's principal businesses are those of investment holding and cultivation of oil palm in Sarawak.

(c) In view of current low CPO price, the management expects KLC to record a loss in the FY2020.

Corporate Governance

Q1 The Company departed from Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG") as the board does not intend to seek shareholders' approval through a two-tier voting process for the retention of Mr. Gan Kim Guan, the Senior Independent Non-Executive Director ("SINED") who has served more than twelve years.

The Board's justification is that "this is in line with the general rule on voting as provided in the Companies Act, 2016 which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions through a single tier voting process".

The Securities Commission has clarified that Section 291 of the Companies Act defines the application of ordinary resolution of members or a class of members of a company; that an ordinary resolution is passed by a simple majority of more than half of such members. It does not specifically deal with the appointment or re-appointment of directors. (Frequently Asked Questions, revised on July 2018).

Please take note.

A1 The Board noted the provision under Practice 4.2 of the MCCG but decided to seek for shareholders' approval for retention of Independent Non-Executive Director who has served for more than 12 years under single tier voting process.

This is in line with the Companies Act, 2016 which provides for single tier voting process and not two-tier voting process.

In a single tier voting process, the passing of the proposed ordinary resolution is based on a simple majority of votes. This is in line with the ordinary course of conduct of voting procedure and practice.

Q2 The Company's internal audit function is now performed by the Company with effect from 1.1.2019 instead of by the Group. It is also mentioned that KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG MRC") has been appointed to perform risk-based internal audit where the results are directly reported to the Audit Committee.

(a) What is the reason for KPMG MRC being appointed to perform risk based internal audit as the Internal Auditors also carried out their internal audit work based on a risk-based auditing methodology as disclosed on page 43 of the MCCG report?

(b) What are the fees paid to KPMG MRC? Does the internal audit fees of RM224,000 disclosed include the KPMG MRC's fees?

A2 (a) The internal audit functions have been outsourced to KPMG MRC by the Group since the financial year 2013. The Audit Committee is of the view that KPMG MRC would be able to offer additional technical and professional advice in additional to the group holding company's internal audit functions.

(b) In the FY2019, the fees payable to KPMG MRC was RM180,000 which has been included in the total expenses of RM224,000 incurred in respect of the internal audit function during the financial year as disclosed in the annual report.

KIM LOONG RESOUCES BERHAD (22703-K) Appendix 2

Minutes of 44th AGM held on 25th July, 2019

Pertinent questions and answers relating to the Audited Financial Statements of the Company and the Group for the year ended 31st January, 2019 at the Annual General Meeting

Q1 How does the Board foresee the future of CPO in view of the economic headwind arising from the recent decision by the European Union to ban the usage of palm oil in biofuel in future?

A1 The palm oil industry is bracing for a very challenging period due to unresolved global trade tensions and oversupply. The CPO price is generally susceptible to the demand and supply of the commodity, weather condition, fluctuation of currency exchange rate, import policies of major importing countries and others. Nevertheless, our Company is expected to ride through the challenging period given our healthy financial position.