

**TA ANN HOLDINGS BERHAD**

(Company No. 419232-K)

(Incorporated in Malaysia)

**MINUTES OF THE EXTRAORDINARY GENERAL MEETING (“EGM”) OF THE  
COMPANY HELD AT IGAN ROOM, LEVEL 1, TANAHMAS HOTEL,  
LOT 277, BLOCK 5, JALAN KAMPONG NYABOR, 96000 SIBU, SARAWAK  
ON FRIDAY, 23 MARCH 2018 AT 11.00 A.M.**

**PRESENT : AS PER THE ATTENDANCE LIST ATTACHED**

**IN ATTENDANCE : ALEXANDER TONG JIA JIEN**

**EGM 1 WELCOME ADDRESS**

On behalf of the Board of Directors, Datuk Amar Abdul Hamed Bin Haji Sepawi (“Datuk Amar”), the Chairman extended a warm welcome to those present.

**EGM 2 QUORUM**

The Company Secretary, Mr. Alexander Tong confirmed that the quorum for the meeting was two (2) members as prescribed under Article 46 of our Company’s Articles of Association. He further stated that fifty-five (55) members were personally present, one (1) member was present by corporate representative and ninety-two (92) members were present represented by proxies.

There being a quorum present, the Chairman declared the meeting duly convened.

**EGM 3 NOTICE OF MEETING**

The notice convening the meeting, having been circulated to all members and advertised in the “New Straits Times” on 8 March 2018 within the prescribed period, with the consent from all members was taken as read.

Datuk Amar informed the meeting that the only item on the Agenda was to approve the proposal pertaining to related party transaction involving the interests of the person connected with him and himself. Hence, Datuk Amar handed over the chairmanship to the Senior Independent Non-Executive Director, Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg (“Datuk Karim”). Datuk Karim took over the chair at this juncture.

Datuk Karim informed the meeting purpose of the EGM was to seek shareholders’ approval for the proposed acquisition of 84,968,024 ordinary shares in Sarawak Plantation Berhad (“SPB”) representing approximately 30.39% equity interest in SPB by TAHB from Cermat Ceria Sdn Bhd (“CCSB”) for a total cash consideration of RM169,936,048.00 (“Proposed Acquisition”)

**EGM 4 SLIDE PRESENTATIONS**

Datuk Karim invited Mr. Lim Tee Phoi from AmlInvestment Bank Berhad (‘PA’) to present the Proposed Acquisition to the meeting. The meeting took note of the presentation.

Subsequently, Datuk Karim invited Mr. Yap Siew Thee from Inter-Pacific Securities Sdn Bhd ('IA') to present Independent Adviser's opinion on the Proposed Acquisition to the non-interested Directors and Shareholders. The meeting took note of the presentation.

**EGM 5 QUESTIONS AND RESPONSES SESSION**

Questions were invited from the floor by Datuk Karim. In summary, the questions raised at the meeting and the responses provided were as follows:-

No.	Questions	Responses
1.	<p><u>Points raised by MSWG's Corporate Representative</u></p> <p>In assessing the fairness of the purchase consideration, both PA &amp; IA were using the comparable companies' analysis. In selecting the companies for comparison, why the production yield of the companies was not taken as one of the selecting criteria? (The question was directed to the Advisers)</p>	<p><u>Replied by Mr. Lim</u></p> <p>The production yield of a plantation company is dependable on many factors which varies from companies to companies. Therefore, it is rather difficult to compare the companies using the production yield without first knowing the contributing factors to the production yield for each of the comparable companies, where the information may not be publicly available. Anyway, the comment is noted.</p> <p><u>Replied by Mr. Yap</u></p> <p>As mentioned by Mr. Lim, there are many factors that would affect the production yield of plantation companies. In selecting the companies, factors such as the location of the estates of the companies, the percentage of revenue contributions from the oil palm business, etc had been taken into consideration.</p>
2.	<p>The financial performance of Sarawak Plantation Bhd (SPB) could be badly affected by the encumbered estates. If the issues are not resolved, further impairment would be expected and on the other hand, if the estates are recovered, substantial CAPEX could be expected. Therefore, is it fair to say that "the financial performance of SPB would not be positive in the next two to three years due to these exceptional costs"? Please comment. (Question was directed to the independent directors)</p>	<p><u>Company's Reply</u></p> <p>Based on the Company's past experience, Ta Ann's management is confident that they could assist to resolve the encumbered estates issues. However, in the first three years, the focus would be on the productive estates. Ta Ann is confident that the yield of SPB could be improved. The improved yield would translate to higher profitability for SPB and the bottom line for Ta Ann in the form of "share of results of associates".</p> <p>Like any businesses, there are risks in the proposed acquisition. The Board believes that the risks involved are manageable and it would be a good investment for Tan Ann in the long term.</p>

Datuk Karim further informed that MSWG had on 16 March 2018 submitted their questions to the Board of Directors and requested the Board to present their questions and the related responses to the shareholders present at the EGM.

Dato Wong Kuo Hea, Chief Executive Officer cum Group Managing Director was invited to present to the Meeting the Questions raised by MSWG and the Responses on behalf of the Board. The presentation was presented via PowerPoint. Details of the Questions and Responses were attached as Appendix I.

#### **EGM 6 VOTING**

Datuk Karim briefed the shareholders that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the EGM notice would be voted by poll.

He informed that the Company had appointed Securities Services (Holdings) Sdn. Bhd. as the Poll Administrator to conduct the polling process and Commercial Quest Sdn. Bhd. as Scrutineer to verify and validate the poll result. The polling process for voting on the resolution would be conducted upon completion of the deliberation of item to be transacted at the Meeting.

Datuk Karim reminded all interested Directors, interested Major Shareholders and person connected with them (as disclosed on pages 17 to 19 of the Circular to Shareholder dated 8 March 2018) NOT to vote in respect of their direct and/or indirect shareholdings in the Company on the resolution to approve the Proposed Acquisition.

#### **EGM 7 PROPOSED ACQUISITION**

The Meeting was informed that the only item on the Agenda was to approve the proposed acquisition of 84,968,024 ordinary shares in SPB representing approximately 30.39% equity interest in SPB by the Company from CCSB for a total cash consideration of RM169,936,048.00. Details of the Proposed Acquisition are set out in the circular to shareholders dated 8 March 2018.

Datuk Karim sought for proposer and seconder in respect of the Proposed Acquisition.

The Proposed Acquisition was duly proposed by Mr. Chai Min Kian and seconded by Mr. Tay Kwoil Hock.

#### **EGM 8 POLL PROCEDURES**

Mdm Yeo Puay Huang of Securities Services (Holdings) Sdn. Bhd., the Poll Administrator gave an explanation on the polling procedures and proceeded to conduct the poll at the EGM using polling slip.

After the polling process was ended, Mdm Yeo passed the chair back to Datuk Karim.

#### **EGM 9 ADJOURNMENT OF MEETING**

Datuk Karim informed the Meeting that the counting and scrutinising of poll votes would take about 30 minutes and hence, he proposed to adjourn the meeting and sought for seconder.

The adjournment of meeting was seconded by Mr. Siaw Meng Kun.

Meeting adjourned at 12.30 p.m.

**EGM 10 ANNOUNCEMENT OF POLL RESULT**

The Meeting resumed at 12.55 p.m. and Datuk Amar invited the Independent Scrutineer to announce the result of the poll.

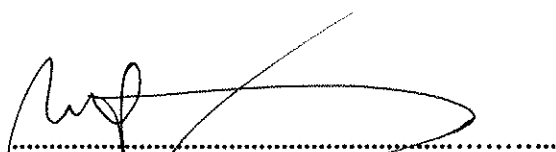
Based on the result slip being verified and validated by the Independent Scrutineer, Datuk Amar declared the resolution on the Proposed Acquisition tabled at the EGM, CARRIED as follows:

No.	Ordinary Resolution	Vote For		Vote Against	
		No. of shares	%	No. of shares	%
1.	Proposed acquisition of 84,968,024 ordinary shares in Sarawak Plantation Berhad ("SPB") representing approximately 30.39% equity interest in SPB by the Company from Cermat Ceria Sdn Bhd for a total cash consideration of RM169,936,048.00.	78,804,821	100.00	0	0.00

**EGM 11 CONCLUSION**

Having transacted the above resolution as set out in the Agenda, Datuk Amar declared the meeting closed at 12.58 p.m. He thanked all those present for their attendance.

Confirmed by,



**DATUK AMAR ABDUL HAMED BIN HAJI SEPAWI**  
CHAIRMAN



**TA ANN HOLDINGS BERHAD** (419232-k)

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21 March 2018

Chief Executive Officer  
**MINORITY SHAREHOLDER WATCHDOG GROUP**

Tingkat 11, Bangunan KWSP  
No.3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

Attention : Ms Linnert Hoo

Re : **Extraordinary General Meeting (EGM) of Ta Ann Holdings Berhad ('Ta Ann' or 'the Company') on 23 March 2018**

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We refer to your letter dated 16 March 2018 and comment as follows :

**Strategic/Financial Matters**

**1. Was there any legal and financial due diligence done on Sarawak Plantation Berhad ("SPB"), in particular on the estates, the mills and other plantation assets, etc?**

SPB is a public listed company and all material information in relation to SPB Group are made available to the public through, *inter alia*, announcements on Bursa Securities, annual reports and quarterly reports. SPB is not in a position to provide non-public information in relation to its business, financial position and assets, in view of the following:-

- SPB is not a transacting party to the Proposed Acquisition as the transaction involves the sale and purchase of SPB Shares between TAHB (as purchaser) and Cermat Ceria Sdn. Bhd. (as vendor), which is an existing shareholder of SPB. Accordingly, SPB is/will not be obligated to release any information to TAHB in connection with the Proposed Acquisition;
- The representative of TAHB on the SPB board of directors, who are considered 'insiders', are prohibited from releasing any non-public information in relation to SPB Group to TAHB and/or the Vendor, taking into consideration the prohibition under Section 188 of the Capital Markets and Services Act 2007 ("CMSA"); and

- In accordance with Section 188(2) of the CMSA and Paragraph 9.15 of the MMLR, TAHB is prohibited from trading in SPB Shares based on material information which is not already known to the investing public. Any trading based on insider information may jeopardise the interests of other shareholders of SPB.

Nonetheless, TAHB has reviewed and considered the material legal and financial aspects of SPB Group based on public information available in assessing the viability of the Proposed Acquisition. In addition, premised on the management's considerable experience and in-depth understanding of the oil palm industry, TAHB has undertaken a holistic assessment of SPB's operations as well as its future prospects prior to entering into the Proposed Acquisition.

2. **We noted that the EV/EBITDA analysis was the only valuation methodology used by the Independent Adviser ("IA") in assessing the fairness of the purchase consideration. As stated on Page 41 of the Circular, the discounted cash flow ("DCF") method is regarded as the appropriate methodology for valuing an investment with a finite stream of expected future cash flows like palm oil business. However, the IA was not able to carry out the DCF method because they did not have access to SPB's management's profit and cash flow forecast and projections.**

**What was the role of the Board of Ta Ann in procuring the necessary information from SPB for the IA?**

For the various reasons stated in the response to Question 1 above, the Board of TAHB is only able to provide to the IA information which has already been made publicly available by SPB Group.

Notwithstanding the above, the Board has taken cognisance of the IA's opinion that EV/EBITDA is the most appropriate methodology in valuing the Purchase Consideration under the circumstances.

In addition, in assessing the Purchase Consideration, the Board has taken into consideration of the following:

- (i) the Purchase Consideration represents a premium of approximately 10.11% - 17.23% to the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAP of SPB Shares up to the preceding date of announcement of the Proposed Acquisition on 11 January 2018.

The premium accorded to the purchase of 30.39% shareholdings in SPB, being a substantial stake, is lower vis-à-vis the premium observed in completed general offers ("GO") for the past 1 year up to the signing of the SPA, which was in the range of 19% - 27%;

(ii) the implied EV/EBITDA and EV/planted Ha is lower than the average of the Comparable Companies; and

(iii) the relatively young age profile of SPB's oil palms, which will serve as the catalyst of the future growth in the group's yields and earnings.

**3. As highlighted in Section 3, Part A of the Circular to Shareholders dated 8 March 2018 ("the Circular"), SPB Group has 8,055 hectares of Encumbered Estates that are subject to on-going legal suit and/or disputes. Consequently, SPB Group has not been able to harvest from the Encumbered Estates. An accumulated impairment loss of RM21.8 million and RM43.0 million was provided in FYE 2016 and FYE 2017 respectively.**

**(a) What is the age profile of the palms in the Encumbered Estates?**

The management of TAHB understand from SPB that out of the 8,055 Ha, the age profile of the oil palms of the Encumbered Estates are as follows:-

<b>Age profile</b>	<b>Percentage (approximate)</b>
Old mature (> 20 years)	35%
Prime mature:-	56%
Young mature (3 -10 years)	9%

**(b) Considering that SPB Group had not been operating on the Encumbered Estates since 2010, would there be substantial CAPEX to be incurred on these estates upon resumption of the operations?**

As SPB Group has not been operating on the Encumbered Estates since 2010/2011, hence upon recovering, it is envisaged that replanting exercise will be required to be undertaken. The actual CAPEX amount is subject to various factors such as, *inter alia*, condition of the estates, which can only be assessed upon recovery of the Encumbered Estates. Nonetheless, the CAPEX required, whilst potentially substantial, will be incurred in stages over possibly a number of years.

**(c) As stated on Page 11 of the Circular, SPB Group has successfully recovered part of the previous disputed estates in 2016. What was the hectareage recovered?**

As stated in SPB's annual report for FYE 31 December 2016, as at end of year 2016, SPB Group has successfully recovered 1,400 Ha of the previous disputed estates (please refer to page 49 of the IA's letter)

- (d) **As reported on Page 57 of the Circular, the High Court had on 23 February 2017 dismissed SPB Group's claim and SPB Group has to vacate the land. SPB Group filed a notice of appeal and applied for a stay of execution.**

**Could the Board share the view of the Company's solicitor on the case?**

The Board of TAHB is not in the position to provide the views of SPB's solicitors on the aforesaid litigation as TAHB is not a party to the litigation.

Any material updates on the aforesaid litigation has been/will be released by SPB via announcement on Bursa Securities and disclosed in the annual report as well as the quarterly reports of SPB.

- (e) **SPB Group recorded an unaudited loss of RM1.5 million in FYE 31 December 2017. The loss was mainly due to the impairment loss of RM43 million in relation to the Encumbered Estates. Resolution of Encumbered Estates is one of the critical factors that would determine the value accretion to Ta Ann from the investment in SPB.**

- i. What other measures or actions would be taken, in addition to actions initiated by SPB, to ensure that the issues would be resolved?**

TAHB will leverage on our experience and expertise in resolving similar issues faced by TAHB in the past to assist SPB in their negotiation with the local participants after completion of the Proposed Acquisition and SPB becomes our associate company.

Notwithstanding the above, the Board would like to reiterate that the Encumbered Estates have not been contributing to the earnings of SPB Group since 2010/2011 and accordingly SPB Group has been recognising impairment losses to its Encumbered Estates.

Based on the foregoing, in the event SPB Group loses its rights to the Encumbered Estates, TAHB does not foresee a material impact to SPB Group's operation.

- ii. What is the targeted timeline to resolve the issues?**

The Board does not have a targeted timeline to resolve the issues at this juncture as TAHB is not involved in the negotiations yet. However, upon the completion of the Proposed Acquisition, once the details of the issues are fully known and available to TAHB, the Company will be able to better assess the required timeline to resolve the issues.



4. Page 14 of the Circular stated that SPB Group's average FFB yield per hectare of 10.7 MT/Ha for 2014, 2015 and 2016 was relatively low compared to Malaysia's average FFB yield of 17.4 MT/Ha.

(a) We noted that the average yield of 10.7 MT/Ha was based on the total planted area, including the encumbered estates of 8,055 hectares. What is the yield per hectare, excluding the said encumbered estates?

After excluding the Encumbered Estates, the yield per hectare of SPB Group for the past 3 years are as follows:-

2014: 16.33MT/HA

2015: 16.70MT/HA

2016: 13.58MT/HA

with a 3-year average yield of 15.54 MT/Ha.

(b) To what extent would Ta Ann be able to assist SPB in improving its FFB yield?

TAHB intends to assist SPB Group in improving its FFB yield by:-

- assisting in the resolution of the on-going disputes and recover the Encumbered Estates;
- leveraging on TAHB's expertise in peat soil plantation as well as operational resources management to further enhance the output of SPB Group.

We will present the points raised and our responses in the coming EGM.

Thank you.

Yours faithfully



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DATO WONG KUO HEA *W*  
Group Managing Director/Chief Executive Officer