

PACIFIC & ORIENT BERHAD
(Company No. 308366-H)

SUMMARY OF KEY MATTERS DISCUSSED AT THE 25TH ANNUAL GENERAL MEETING (“AGM” OR “MEETING”) OF THE COMPANY HELD AT CONCORDE BALLROOM, LOBBY LEVEL, CONCORDE HOTEL KUALA LUMPUR, 2 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON WEDNESDAY, 20TH FEBRUARY 2019 AT 10.30 A.M.

PRESENT:	Mr. Chan Hua Eng	–	Chairman of the Company
	Mr. Chan Thye Seng	–	Managing Director & Chief Executive Officer
	Tunku Dato’ Mu’tamir bin Tunku Tan Sri Mohamed	–	Director & Shareholder
	Mr. Michael Yee Kim Shing	–	Director & Shareholder
	Dato’ Dr. Zaha Rina binti Zahari	–	Director & Shareholder
	Ong Seng Pheow	–	Director

SHAREHOLDERS: As per attendance list

PROXIES: As per attendance list

BY INVITATION: As per attendance list

IN ATTENDANCE: Mr. Yong Kim Fatt – Secretary

QUORUM

The Chairman commenced the Meeting as the requisite quorum for the Meeting was present in accordance with the Company’s Constitution.

1. CHAIRMAN'S ADDRESS

The Chairman welcomed the Directors and shareholders attending the Meeting and thereupon briefed the shareholders on the procedures to be followed at the Meeting.

The Chairman further informed that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), all resolutions set out in the notice of any general meeting were to be voted upon by poll, and the Company was required to appoint at least 1 scrutineer to validate the votes cast.

The Chairman further informed that in compliance with the Listing Requirements, the Company had appointed Mega Corporate Services Sdn Bhd as the Poll Administrator to conduct the polling process, and Mega Business Consultancy as Scrutineer to verify the poll results. The polling process for the resolutions would be conducted upon completion of deliberation of all items to be transacted at the Meeting.

The Chairman then informed that he would proceed with the agenda and deal with the questions from the members, if any, at the end of each item of the agenda.

2. AGENDA 1 THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

The Chairman declared that the Audited Financial Statements for the financial year ended 30 September 2018 together with the Reports of the Directors and Auditors as set out on pages 65 to 195 of the Annual Report 2018 as received and duly tabled at the Meeting.

The Meeting deliberated on this item. In summary, the issues raised by the shareholders/proxies were responded to by the Company as follows:

(i) Question From Shareholder

Is there a presentation to shareholders from the Company about the status of the Company's business in general?

Company Response

The Board of Directors was of the opinion that as most of the information has already been set out in the Company's Annual Report 2018, shareholders could always refer to the Annual Report 2018 which was despatched to the shareholders on 22 January 2019, hence, presentation is not necessary at this point of time.

(ii) Question From Shareholder

Group profits declined in FY2018 from FY2017. What was the reason for the decline?

Company Response

The Company's main insurance subsidiary, Pacific & Orient Insurance Co Berhad ("POI") is continuously facing a lot of competition in the insurance industry. This is also made worse by the current economic conditions that the country is experiencing whereby purchasing power of the consumers has dropped.

However, to counter this, the Company continues to invest in digital technologies to adopt and implement new innovative and value added services to its clients.

In addition, the decline in profits was due to the unrealised foreign exchange losses experienced by the non-insurance companies of the Group. These foreign exchange losses were not because the Group had traded in foreign currencies but arose from the Groups' investments in various countries.

(ii) Question From Shareholder

How did the insurance company handle fraudulent accident claims which sometimes involved adjusters; how would this affect the insurance company's profit?

Company Response

The Company explained that this issue was not something that the insurance company could be free of as it affects every insurance company. However, the insurance company would keep on monitoring by using IT, analyzing averages, etc. to minimize losses.

(iii) Question From Shareholder

How is the Company still able to declare dividends despite the declining profits as mentioned above?

Company Response

The Company is still able to declare dividends mainly due to its positive cash flow position which was mainly contributed by POI.

(iv) **Question From Shareholder**

The Company has been doing a lot of share buyback, however the share price is still hovering around RM1.00 per share.

Company Response

The Company explained that it does not use the share buyback as a speculative mechanism to push the share price up in terms of giving capital gains to shareholders.

The Company considered that when its shares were undervalued it would buy back the shares. The shares that the Company had purchased would be kept as treasury shares and this represented enhanced value to the shareholders as there would be less shareholders to pay out dividends to. The intention has at all times been to benefit the shareholders.

(v) **Question From Shareholder**

Why is the Company heavily focusing on motor insurance business which a very risky business?

Company Response

The Company was listed in 1995 on the fact that its major subsidiary, POI, is heavily focused on motor insurance business. The Group's profits were largely contributed by POI which enabled the Company to declare dividends to its shareholders. POI has a 'BBB+' (Good) with stable outlook rating from Fitch Ratings.

(vi) **Question From Shareholder**

The Group has substantial investments in associate companies and these companies are making losses. When will these companies be making profit?

Company Response

These were investments in start-ups and are not expected to generate profits in the near term. The performance of these businesses will also depend on the market conditions.

(vii) **Question From Shareholder**

What is the unrealised foreign exchange losses as mentioned in the Chairman's Statement?

Company Response

The unrealised foreign exchange losses were from the Company's investments in various countries. They were due to fluctuations in the exchange rates which were beyond the Company's control.

(viii) Question From Shareholder

Attention was drawn to the Income Statement on page 81 of the Annual Report. Why was there a profit for year of RM1,266,000 and yet there is a loss per share attributable to the equity holders of the Company of 4.74 sen?

Company Response

The profit for year of RM1,266,000 contains profits attributable to the non-controlling interest, namely Sanlam Emerging Markets Proprietary Ltd (Sanlam) of the insurance subsidiary as well as those attributable to the equity holders of the Company.

The loss per share of 4.74 sen excludes profits attributable to Sanlam. The loss was mainly due to a decline in the profits of the insurance subsidiary and unrealised foreign exchange losses recorded by the non-insurance companies of the Group

(ix) Question From Shareholder

What are the investments that the Group currently has?

Company Response

The Group is planning to develop a 21-storey, 54 unit apartments in Miami USA. Currently the Group is in the midst of applying for the various development permits.

The Group also has interests in foreign companies that:

- (i) develops foreign exchange trading system using artificial intelligence for overseas markets,
- (ii) produces emergency 8kw power equipment to cater for niche market;
- (iii) provides Bluetooth tags for high value inventory and asset tracking; and
- (iv) provides human resource solutions

(x) **Question From Shareholder**

Is the Company looking into mergers & acquisitions as emphasised by Bank Negara Malaysia?

Company Response

The Company is not actively seeking for any mergers & acquisitions. However, if there is a good offer, the Company is willing to consider.

There being no further queries raised for discussion, the Meeting proceeded to the next item on the agenda.

3. **AGENDA 2**

DIRECTORS' FEES PAYABLE TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY UP TO AN AMOUNT OF RM380,000 FROM THE DAY AFTER THE 25TH ANNUAL GENERAL MEETING UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY

Pursuant to Section 230 of the Companies Act 2016, the fees of the Directors payable to the Directors shall be approved at a general meeting.

(i) **Question From Shareholder**

Are the Directors' fees payable to the Directors of the Company excluding the subsidiaries?

Company Response

The Directors' fees that were put to the shareholders for approval are in respect of Non-Executive Directors of the Company only.

The Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM380,000 from the day after the 25th AGM until the next AGM was approved by the shareholders.

No further matter was raised by the shareholders of the Company on this agenda.

4. **AGENDA 3**

DIRECTORS' BENEFITS PAYABLE TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY UP TO AN AMOUNT OF RM50,000 FROM THE DAY AFTER THE 25TH AGM UNTIL THE NEXT AGM OF THE COMPANY

Pursuant to Section 230 of the Companies Act 2016, any benefits payable to the Directors shall be approved at a general meeting.

The Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM50,000 from the day after the 25th AGM until the next AGM of the Company was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**5. AGENDA 4
RE-ELECTION OF MR. MICHAEL YEE KIM SHING WHO RETIRES IN
ACCORDANCE WITH THE COMPANY'S CONSTITUTION**

The re-election of Mr. Michael Yee Kim Shing as Director of the Company, who retires pursuant to Article 82 of the Company's Constitution was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**6. AGENDA 5
RE-ELECTION OF MR. ONG SENG PHEOW WHO RETIRES IN
ACCORDANCE WITH THE COMPANY'S CONSTITUTION**

The re-election of Mr. Ong Seng Pheow as Director of the Company, who retires pursuant to Article 89 of the Company's Constitution was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**7. AGENDA 6
RE-APPOINTMENT OF MESSRS ERNST & YOUNG AS AUDITORS AND TO
AUTHORISE THE BOARD OF DIRECTORS TO FIX THEIR
REMUNERATION**

The re-appointment of Messrs Ernst & Young as Auditors of the Company on a remuneration to be determined by the Board of Directors of the Company was approved by the shareholders of the Company.

No matter was raised by the shareholders of the Company on this agenda.

**8. AGENDA 7
AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS
75 AND 76 OF THE COMPANIES ACT, 2016**

The Chairman explained to the shareholders present that the abovementioned resolution, if passed, would allow the Company to procure the renewal of the general mandate which would give authority to the Directors of the Company, from the date of the AGM, to issue and allot shares in the Company up to and not exceeding in total ten percent (10%) of the issued shares of the Company for the time being, for such purposes as they considered would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, would expire at the conclusion of the next AGM of the Company. The renewed general mandate would provide flexibility to the Company for any possible fund raising activities, including but not limited to shares placement, funding future investment, working capital and/or acquisition.

The authority under Sections 75 and 76 of the Companies Act 2016 to issue shares was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**9. AGENDA 8 AND AGENDA 9
RETENTION OF INDEPENDENT DIRECTORS**

The retention of the following Directors as Independent Directors of the Company were approved by the shareholders :

- (i) Mr. Michael Yee Kim Shing
- (ii) Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed

No matter was raised by the shareholders of the Company on this agenda.

**10. AGENDA 10
PROPOSED ESTABLISHMENT OF EMPLOYEES' SHARE OPTION
SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED ORDINARY
SHARES IN THE COMPANY (EXCLUDING TREASURY SHARES)
("PROPOSED ESOS") FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES
OF THE COMPANY AND ITS NON-DORMANT SUBSIDIARIES**

The Chairman informed the shareholders that the Proposed ESOS for the eligible Directors and Employees of the Company and its non-dormant subsidiaries, once approved, is subject to all relevant regulatory authorities being obtained.

(i) **Question From Shareholder**

Is it a normal practice for establishing an employees' share option scheme up to 15% and when exactly the Company is going to implement the ESOS? Is there any other scheme established by the Company.

Company Response

The Company could issue and allot up to 15% of the total number of issued ordinary shares in the Company (excluding treasury shares) for the eligible Executive Directors and employees of the Company and its non-dormant subsidiaries and the scheme is in accordance with the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company would implement the ESOS as soon as possible.

The Proposed ESOS is a new scheme and its purpose is to align the interests of the eligible employees to the corporate goals of the Group by providing them an opportunity to participate in the equity of the Company.

The Company had previously established an employees' share option scheme in the financial year ended 2003 but it had expired in 2011.

The Proposed ESOS was approved by the shareholders.

No further matter was raised by the shareholders of the Company on this agenda.

**11. AGENDA 11
PROPOSED ALLOCATION OF OPTIONS TO MR. CHAN THYE SENG**

The Proposed Allocation of Options to Mr. Chan Thye Seng, subject to approvals of all relevant authorities being obtained, details as set out therein the notice of 25th AGM, was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**12. AGENDA 12
PROPOSED ALLOCATION OF OPTIONS TO MS. CHAN CHENG SIM, A
PERSON CONNECTED TO MR. CHAN THYE SENG**

The Proposed Allocation of Options to Ms. Chan Cheng Sim, a person connected to Mr. Chan Thye Seng, subject to approvals of all relevant authorities being obtained, details as set out therein the notice of 25th AGM, shall be approved by the shareholders.

(i) **Question From Shareholder**

Is Ms Chan Cheng Sim working in the Company?

Company Response

Currently, Ms. Chan Cheng Sim is the Head of Claims of POI.

The Proposed Allocation of Options to Ms. Chan Cheng Sim, a person connected to Mr. Chan Thye Seng was approved by the shareholders.

No further matter was raised by the shareholders of the Company on this agenda.

**13. AGENDA 13
PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY THE
COMPANY OF ITS OWN SHARES**

The Chairman explained to the Meeting the purpose of the resolution. The resolution, if passed, would empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued shares of the Company by utilising the funds allocated which should not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, would expire at the conclusion of the next AGM of the Company.

The proposed renewal of authority for the purchase by the Company of its own shares was approved by the shareholders.

No matter was raised by the shareholders of the Company on this agenda.

**14. AGENDA 14
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE
COMPANY**

The Chairman explained to the Meeting the purpose of the special resolution. The special resolution, if passed, would empower the Directors of the Company to revoke the existing Constitution in its entirety with immediate effect and in place thereof, adopt a new Constitution, taking into account the Companies Act, 2016, the Malaysian Code on Corporate Governance and in line with the revamped Main Market Listing Requirements.

(i) Question From Shareholder

Is the constitution an amendment or a totally new constitution?

Company Response

As there are too many amendments and new requirements, the Company proposed the adoption of a new constitution which includes some new and some existing constitution.

The proposed adoption of the new constitution of the Company was approved by the shareholders.

No further matter was raised by the shareholders of the Company on this agenda.

15. POLL RESULTS

The following resolutions tabled at the Meeting which were voted upon by poll, were duly passed by the shareholders:

Resolutions	Vote in Favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
<u>Resolution 1</u> To approve Directors' fees	172,790,892	100.0000	0	0.0000	Carried
<u>Resolution 2</u> To approve Directors' benefits	172,790,869	100.0000	23	0.0000	Carried
<u>Resolution 3</u> To re-elect Mr. Michael Yee Kim Shingi as Director	172,557,559	100.0000	0	0.0000	Carried
<u>Resolution 4</u> To re-elect Mr. Ong Seng Pheow as Director	172,790,892	100.0000	0	0.0000	Carried
<u>Resolution 5</u> To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration	172,790,892	100.0000	0	0.0000	Carried

Resolutions	Vote in Favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
<u>Resolution 6</u> Authority under Sections 75 and 76 of the Companies Act 2016 to allot and issue shares	172,790,892	100.0000	0	0.0000	Carried

Resolutions	Two-Tier Voting	Vote in Favour		Vote Against		Results
		No. of Shares	%	No. of Shares	%	
<u>Resolution 7</u> To retain Mr. Michael Yee Kim Shing as Independent Director	Tier 1 – Large Shareholders	166,801,752	100.0000	0	0.0000	} Carried
	Tier 2 – Other Shareholders	5,755,807	100.0000	0	0.0000	
<u>Resolution 8</u> To retain Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Independent Director	Tier 1 – Large Shareholders	166,801,752	100.0000	0	0.0000	} Carried
	Tier 2 – Other Shareholders	5,622,574	97.6852	133,233	2.3148	

Resolutions	Vote in Favour		Vote Against		Results
	No. of Shares	%	No. of Shares	%	
<p><u>Resolution 9</u></p> <p>Proposed establishment of an Employees' share option scheme</p>	172,071,470	99.5836	719,422	0.4164	Carried
<p><u>Resolution 10</u></p> <p>Proposed allocation of options to Mr. Chan Thye Seng</p>	5,242,087	87.9322	719,422	12.0678	Carried
<p><u>Resolution 11</u></p> <p>Proposed allocation of options to Ms. Chan Cheng Sim, a person connected to Mr. Chan Thye Seng</p>	5,375,320	90.1671	586,189	9.8329	Carried
<p><u>Resolution 12</u></p> <p>Proposed renewal of authority for the purchase by the Company of its own shares</p>	172,790,892	100.0000	0	0.0000	Carried
<p><u>Special Resolution</u></p> <p>Proposed adoption of the new Constitution of the Company</p>	172,790,892	100.0000	0	0.0000	Carried

16. CONCLUSION

There being no further queries from the shareholders, the Meeting concluded at 12.30 p.m. with a vote of thanks to the Chair.