

SERN KOU RESOURCES BERHAD
[Registration No. 200001016496 (519103-X)]
(Incorporated in Malaysia)

MINUTES OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (“22ND AGM”) OF THE COMPANY HELD AT LEVEL 2, LOT PTD 6019 (LOT 8804), JALAN PERINDUSTRIAN 1, KAWASAN PERINDUSTRIAN, BUKIT BAKRI, MUKIM BAKRI, 84200 MUAR, JOHOR DARUL TAKZIM ON FRIDAY, 25 NOVEMBER 2022 AT 10.15 A.M.

PRESENT

Members – The Shareholders and proxies are as per the attendance list.

DIRECTORS

Mr Loo Eng Hua (“Mr Loo”) - Chairman of the Meeting
(*Independent Non-Executive Director*)

Mr Low Peng Sian @ Chua Peng Sian - Also a Shareholder
(*Managing Director*)

Mr Leou Thiam Lai (“Mr Leou”) -
(*Non-Independent Non-Executive Director*)

Datuk Tay Puay Chuan
(*Independent Non-Executive Director*)

Ms Teh Su-Ching
(*Independent Non-Executive Director*)

Mr Chua Oou Chuan
(*Independent Non-Executive Director*)

Mr Seow Jing Hui
(*Independent Non-Executive Director*)

Mr Lee Shen Wang - Also a Shareholder
(*Executive Director*)

Ms Siah Chew Peng
(*Executive Director*)

ABSENCE WITH APOLOGIES

Tan Sri Abdul Rahim Bin Mohd Noor - *Independent Non-Executive Director*

IN ATTENDANCE

Ms Ng Sally - Company Secretary

BY INVITATION

Ms Tang Choon Yen - Chief Financial Officer
Diong See Yim - Representative of TMF Administrative Services Malaysia Sdn. Bhd.

BY INVITATION

Puan Zahidah Binti Ismail Puan Nur Atiqah Binti Mohd Arif	} Representatives of Boardroom Share Registrars Sdn. Bhd., the Share Registrar & Poll Administrator
Mr Quincy Gan	Representative of Vaersa Advisory Sdn. Bhd., the Internal Auditors
Mr Johnny Sia Mr Ng Huei Keong Ms Loh Ee Ling Ms Lim Szee Ying	} Representatives of Messrs BDO PLT, the External Auditors
-	Independent Scrutineer

1. CHAIRMAN

Due to unforeseen circumstances, Tan Sri Abdul Rahim Bin Mohd Noor, the Chairman of the Company conveyed his apologies for not being able to present at the Twenty-Second Annual General Meeting (“22nd AGM”) within fifteen (15) minutes of the time appointed for the meeting.

Accordingly, the Board of Directors unanimously resolved to appoint Mr Loo Eng Hua, to be the Chairman of the 22nd AGM according to Paragraph 72 of the Constitution of the Company. The Chairman welcomed all present at the 22nd AGM.

The Chairman introduced the Board of Directors to the Members and informed the Meeting that pursuant to Paragraph 70 of the Company’s Constitution, no business shall be transacted at any general meeting unless a quorum of Members was presented at the time when the meeting proceeds to business. He then informed the Meeting that two (2) Members present in person or by proxy shall be a quorum.

2. QUORUM

The Secretary confirmed that a quorum was present pursuant to the Paragraph 70 of the Constitution of the Company.

With the requisite quorum being present, the Chairman called the Meeting to order at 10.15 a.m.

3. NOTICE OF MEETING

The Chairman informed the Members that the Share Registrar of the Company had been tasked to e-mail and post the Notification Letter of the 22nd AGM to all members on 27 October 2022. The Notice of 22nd AGM had been announced to Bursa Malaysia Securities Berhad, and the same was also advertised in The New Straits Times within the prescribed period.

With the consent of the Members, the Notice convening the Meeting was taken as read.

The Chairman highlighted that it was mandatory for all listed issuers to conduct poll voting on all proposed resolutions set out in the notice of general meeting.

As such, Boardroom Share Registrars Sdn. Bhd. was appointed to act as the Poll Administrator whilst Ms Lim Szee Ying was appointed to act as the independent scrutineer to validate the poll results of the 22nd AGM.

He added that the results of the votes would be announced at the conclusion of the 22nd AGM, stating the total number of votes cast on the poll (together with the percentage) in favour of and against each and every resolution.

4. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

The Audited Financial Statements (“AFS”) for the financial year ended 30 June 2022 together with the Reports of the Directors and Auditors thereon, having been circulated to all the Members of the Company within the prescribed period, were tabled before the Meeting.

The Chairman informed the Meeting that the AFS were meant for discussion only, as it did not require shareholders’ approval in accordance with Section 248(1) and Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda item would not be put for voting.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman declared that the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports of the Directors and the Auditors thereon, be received and the Meeting proceeded to the next item on the Agenda of the Meeting.

5. ORDINARY RESOLUTION 1 RE-ELECTION OF DIRECTOR – MS TEH SU-CHING

The Chairman proceeded to table the motion on the re-election of Ms Teh Su-Ching as a Director of the Company, who was retiring pursuant to Paragraph 104 of the Company’s Constitution and being eligible, had offered herself for re-election as Director.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

6. ORDINARY RESOLUTION 2 RE-ELECTION OF DIRECTOR – MS SEOW JING HUI

The Chairman continued with the proposed Ordinary Resolution 2 on the re-election of Ms Seow Jing Hui as a Director of the Company, who was retiring pursuant to Paragraph 104 of the Company’s Constitution and being eligible, had offered herself for re-election as Director.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

**7. ORDINARY RESOLUTION 3
RE-ELECTION OF DIRECTOR – MR CHUA OOU CHUAN**

The Chairman continued with the proposed Ordinary Resolution 3 on the re-election of Mr Chua Oou Chuan as a Director of the Company, who was retiring pursuant to Paragraph 104 of the Company's Constitution and being eligible, had offered himself for re-election as Director.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

The Chairman informed the Meeting that Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan who were subject to retirement by rotation in accordance with Paragraph 97 of the Constitution of the Company, had earlier expressed their intention not to seek for re-election at 22nd AGM, in view of the nine-year policy for Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2021. Hence, their retirement by rotation as Directors of the Company would not be tabled at the Meeting for voting. Accordingly, Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan would only retain their office and retired as Directors of the Company at the conclusion of 22nd AGM.

**8. ORDINARY RESOLUTION 4
DIRECTORS' FEES**

The Chairman informed the Meeting that the next proposed resolution was to approve the payment of Directors' Fees of RM639,100 for the financial year ended 30 June 2022.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

**9. ORDINARY RESOLUTION 5
DIRECTORS' REMUNERATION (EXCLUDING DIRECTORS' FEES)**

The Meeting noted that the next proposed resolution was to approve the Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries up to an amount of RM3,000,000 for the period from 1 December 2022 until 30 November 2023.

He highlighted that according to Section 230 of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries should be approved at a general meeting. Payment of Directors' Remuneration would be made by the Company on a monthly basis and/or as and when incurred, if approved by the Members.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

**10. ORDINARY RESOLUTION 6
RE-APPOINTMENT OF AUDITORS**

The Meeting then proceeded to consider the re-appointment of Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

The Chairman added that the retiring Auditors, Messrs BDO PLT had indicated their willingness to continue in office.

The Chairman invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

**11. SPECIAL BUSINESS - ORDINARY RESOLUTION 7
PROPOSED WAIVER OF STATUTORY PRE-EMPTIVE RIGHTS OF THE
SHAREHOLDERS AND AUTHORITY TO ISSUE SHARES**

The Meeting proceeded to consider the motion on the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. The Chairman explained to the Members that the proposed resolution, if passed, would give the authority to the Board to issue new shares as and when necessary, up to a maximum of ten per centum (10%) of the issued share capital of the Company, subject to the approvals of all the relevant governmental/regulatory bodies and that the authorisation would expire at the conclusion of the next AGM of the Company, unless being revoked or varied by the Company in general meeting.

It was noted that the rationale for this motion was to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate and to eliminate the need to convene general meeting(s) from time to time to seek shareholders' approval as and when the Company issues new shares for future business opportunities and thereby reducing administrative time and cost associated with the convening of such meeting(s).

The general mandate would provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placement of shares, for the purpose of future investment project(s), working capital and/or acquisition.

The Meeting noted that no shares had been issued and allotted by the Company pursuant to the general mandate obtained from its shareholders at the last Annual General Meeting held on 25 November 2021.

It was noted that the details of the proposal had been clearly set out in the Notice of the 22nd AGM dated 27 October 2022, as below: -

“THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company.

THAT pursuant to Section 85 of the Companies Act, 2016 to be read together with Regulation 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.”

The Chairman then invited questions from the floor. As there was no question raised from the floor, the Chairman proceeded to the next item on the agenda.

12. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

The Chairman informed the Meeting that the next agenda on the proposed Ordinary Resolution 8 in the Notice of Meeting, which was to consider the continuance of Mr Leou Thiam Lai, who had served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company.

He informed the Meeting that the key justification for retaining Mr Leou Thiam Lai as the Independent Non-Executive Director of the Company was disclosed in the Notice of 22nd AGM in the Annual Report 2022.

The Chairman highlighted that Practice 5.3 of the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) stated that if the Board continued to retain the Independent Non-Executive Director after the nine (9) years, the Board would require to seek annual shareholders’ approval through a two-tier voting process.

However, the Board was of the opinion that the two-tier voting outlined in the MCCG 2021 was not compatible with the provisions in the Companies Act 2016 and the Company’s Constitution, as the right of the shareholders, including the right to vote, shall rank pari passu. An ordinary resolution which was passed by a majority of shareholders must be regarded as validly passed as a matter of law irrespective of whether a majority of both the Large Shareholders and other shareholders had voted in favour of such a resolution as required under the MCCG 2021.

Thus, the Board would seek shareholders’ approval on the Proposed Ordinary Resolution 8 via a normal poll voting process for continuation of office of Mr Leou Thiam Lai as the Independent Non-Executive Director of the Company.

12.1 ORDINARY RESOLUTION 8 CONTINUANCE OF MR LEOU THIAM LAI IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

The Meeting proceeded to consider the Agenda on the re-appointment of Mr Leou Thiam Lai as an Independent Non-Executive Director, as per the motion below: -

“THAT authority be and is hereby given to Mr Leou Thiam Lai, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to act as an Independent Non-Executive Director of the Company.”

The Chairman invited questions from the floor. There being no questions raised, the Meeting proceeded with the process of poll voting.

The Chairman invited the Poll Administrator to take the Members through the procedures of polling.

Thereafter, the Members proceeded to cast their votes and the Poll Administrator collected all the poll forms.

The Chairman announced that the Meeting would be adjourned for 15 minutes or until the Poll Administrator had completed counting of the votes casted and requested the shareholders/proxies to return to the hall after 15 minutes.

Mr Lee Chee Meng (“Mr Lee”), the appointed proxy of Minority Shareholders Watch Group (“MSWG”), requested the Company to present the questions and answer in relation to the MSWG’s letter dated 17 November 2022.

Mr Leou Thiam Lai, the Independent Non-Executive Director of the Company presented the Company’s reply to MSWG’s questions to all attendees, a copy of which was attached for identification purpose and appended as Appendix A. He also informed the Meeting that the Company had also replied to MSWG’s questions via e-mail on 24 November 2022.

In response to Mr Lee’s enquiry on the Company’s reply to Question 2(b) of the MSWG letter, Mr Lee Shen Wang, an Executive Director of the Company replied that other than the United States, the Company also exported furniture to UAE, Japan, Australia, and Asian countries.

Mr Lee enquired on the location of the 2,000 acres of forest for timber extraction in Question 4 of the MSWG Letter. Mr Low Peng Sian @ Mr Chua Peng Sian (“Mr Chua”), the Managing Director of the Company replied that the forest was in Kelantan.

Mr Lee enquired on the types of plantation for the Company’s venture in sustainable forestry through the planting of trees. Mr Chua replied that the Company’s priority would be eucalyptus tree as it takes 5 years to mature for harvesting.

After the counting of the votes casted, the Chairman called the Meeting to order and announced the poll results as detailed hereunder: -

RESOLUTIONS	FOR			AGAINST		
	No. of Shareholders	No. of Votes	Percentage of Voted Shares (%)	No. of Shareholders	No. of Votes	Percentage of Voted Shares (%)
<u>Ordinary Resolution 1</u> To re-elect Ms Teh Su-Ching, who is retiring in accordance with Paragraph 104 of the Company’s Constitution.	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 2</u> To re-elect Ms Seow Jing Hui, who is retiring in accordance with Paragraph 104 of the Company’s Constitution.	30	612,436,087	100	0	0	0

RESOLUTIONS	FOR			AGAINST		
	No. of Shareholders	No. of Votes	Percentage of Voted Shares (%)	No. of Shareholders	No. of Votes	Percentage of Voted Shares (%)
<u>Ordinary Resolution 3</u> To re-elect Mr Chua Oou Chuan, who is retiring in accordance with Paragraph 104 of the Company's Constitution.	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 4</u> To approve the payment of Directors' Fees amounting to RM631,900 for the financial year ended 30 June 2022	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 5</u> To approve the payment of Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries up to an amount of RM3,000,000 for the period from 1 December 2022 until 30 November 2023	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 6</u> To re-appoint Messrs BDO PLT as auditors of the Company	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 7</u> Proposed Waiver of Statutory Pre-Emptive Rights of the Shareholders and Authority to issue shares	30	612,436,087	100	0	0	0
<u>Ordinary Resolution 8</u> To approve Mr Leou Thiam Lai to continue to act as Independent Non-Executive Director	29	612,435,787	96.6667	1	300	3.3333

Thereafter, the Chairman declared the results as follows: -

Resolutions	Outcome of Poll Results
Ordinary Resolution 1	Carried
Ordinary Resolution 2	Carried
Ordinary Resolution 3	Carried
Ordinary Resolution 4	Carried
Ordinary Resolution 5	Carried
Ordinary Resolution 6	Carried
Ordinary Resolution 7	Carried
Ordinary Resolution 8	Carried

13. CONCLUSION

There being no other business, the Chairman, the Meeting then concluded at 10.45 a.m. with a vote of thanks to the Chair.

CONFIRMED AS CORRECT RECORD
OF THE PROCEEDINGS THEREAT



LOO ENG HUA
CHAIRMAN

Dated: 5 December 2022

Appendix A



SERN KOU RESOURCES BERHAD 200001016496(519103-X)

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24 November 2022

The Chief Executive Officer
Badan Pengawas Pemegang Saham Minoriti Berhad
Level 23, Unit 23-2, Menara AIA Sentral,
No. 30, Jalan Sultan Ismail,
50250 Kuala Lumpur.

BY EMAIL

Attention : Mr Devanesan Evanson

Dear Sir,

**22nd Annual General Meeting (“AGM”) of Sern Kou Resources Berhad (“Sern Kou”
or the “Group”) to be held on Friday, 25 November 2022**

We refer to your letter dated 17 November 2022. Kindly find your issues raised in the interest of minority shareholders and all other stakeholders of Sern Kou and our management replies hereunder.

Operational & Financial Matters

1. The Group's manufacturing and trading of furniture segment in FY22 reported a loss before tax of RM4.4 mil (FY21: RM0.04 mil), while revenue declined by 29.3% to RM58.5 mil from RM82.8 mil a year ago.
 - a) Some of Sern Kou's peers (furniture manufacturing companies listed on Bursa) have remained profitable with decent profit margins. While those peers have the advantage of operating on a larger scale or volume, what are the other areas that Sern Kou could be lacking in that resulted in the segment loss?

REPLY:

The operations of the furniture manufacturing segment were halted for approximately 4 months from 1 June 2021 until end of September 2021 due to the implementation of Full Movement Control Order (“FMCO”) and the subsequent National Recovery Plan (“NRP”) following the surge in number of COVID-19 cases in Malaysia and globally. The segment continued to incur fixed operating expenses such as salaries and bank interest during the closure period.

The segment also incurred unplanned COVID-19 related expenses during the closure period such as sanitisation cost, screening fees and quarantine expenses when close to 100 workers were tested positive for COVID-19.

The financial impact of the above were reflected in the financial results for FYE2022.



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REPLY - Continued:

The operating results were further affected by the decrease in demand for furniture since the beginning of year 2022 following high global inflationary rate accompanied by tightening of monetary policy in countries worldwide.

Despite the segment exported to the US market similarly with the peers, the customers and type of furniture purchased were, however, different.

In order to improve the operating results, the segment will concentrate on process innovation in order to increase both the capacity and efficiency for the manufacturing activities.

- b) Please explain your sales outlook for your key export markets of US and Europe where aggressive interest rate hikes are causing a slowdown in home sales and consumer discretionary spending. Will Sern Kou be able to divert orders to other countries?

REPLY:

The segment expects a softer demand for furniture from the US market. Aside from the US market, the segment exports to other 18 countries worldwide. Being in the industry for the past 30 years, the segment will manage to receive sustained orders from the diversified customers.

2. Sern Kou's wood processing and trading segment's PBT fell 18.4% to RM19.9 mil in FY22, while revenue grew 12.4% to RM279.8 mil. The Group attributed the lower profit to a combination of factors including supply chain disruptions, raw material and labour shortages.

- a) Based on your outlook of the current market conditions, do you expect your cost of sales to moderate or stabilize moving forward?

REPLY:

Cost of sales is expected to stabilise in the 4QFYE2023.



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- b) Has Sern Kou successfully completed phase 3 of its expansion plan to increase its total sawmill annual capacity to 80,000 tonnes? What was the sawmill production capacity and utilisation rate in FY22?

REPLY:

The annual capacity for FYE2022 was 80,000 tonnes and the utilisation rate was 100%

- c) What were the factors driving demand and do you expect this sales momentum to continue?

REPLY:

Despite timber being the main raw materials for the furniture manufacturing and the wood processing segments, any surplus of timber would be sold to local customers.

Demand from local customers has increased in FYE2022 when the global demand for timber shifted to Malaysia following the decrease in production of timber especially in South Africa and Papua New Guinea due to the decrease in area planted, fire damage and pests' diseases.

The demand is expected to continue for FYE2023.

3. Sern Kou's midstream sawmill business has been the key driver for its revenue and record financial performance in the past few years. On the other hand, the downstream furniture manufacturing segment has been dwindling over the years and now accounts for less than 20% of total revenue.

Considering that the downstream segment has been a drag on overall group performance, would Sern Kou be better off phasing out its furniture manufacturing division and reallocating resources to its midstream and upstream operations?

REPLY:

Sern Kou will maintain the furniture manufacturing segment despite the operating results. Please refer to reply for issue no. 1. The management will continue to enhance the performance for the upstream and midstream operations.



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4. According to information on the company's website, timber supply shortage is not an issue as Sern Kou has its own direct raw material supply and is currently extracting timber from approximately 2,000 acres of forest.

Does Sern Kou own a timber extraction concession or license? If yes, please provide details including when it was granted, the concession period and expiry, costs related to the concession, and the likelihood of renewing the concession.

REPLY:

Sern Kou relentlessly develop diverse sources of supply to ensure business continuity.

The timber extraction license was first obtained on January 2018. The license was renewed and extended numerous times until the last expiry date on March 2022.

5. Sern Kou has identified sustainable forestry as its new growth area. Sern Kou had established its own research lab and nursery production to support this new venture (page 9 of AR2022).

Please shed some light on this new venture, including the growth potential.

REPLY:

Sern Kou plans to venture into sustainable forestry through planting of trees. Own plantation will ensure uninterrupted supply of timber as raw material for the business operations for the Group.

Sustainable forestry management involves great management skills and care to protect wildlife and the community. The business venture will generate jobs for the community. It will also create a sustainable forest life cycle and combat climate change at the same time.

Hence, the venture into sustainable forestry will create a balance between three main pillars, namely, Ecological, Economic and Socio-cultural.

Sern Kou is currently in search for suitable location for planting purpose.



Corporate Governance Matters

1. Practice 5.3 of Malaysian Code on Corporate Governance 2021 (MCCG) stipulates that the tenure of an independent director should not exceed a cumulative term limit of nine years. If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Sern Kou in its Corporate Governance Report 2022 (page 24) states that there are three Independent Non-Executive Directors, namely, Tan Sri Abdul Rahim Bin Mohd Noor, Datuk Tay Puay Chuan and Mr Leou Thiam Lai, whose tenure are more than nine years.

Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan, who are also subject to retirement by rotation at the forthcoming Annual General Meeting (AGM) had expressed their intention not to seek for re-election as directors at the AGM, in view of the nine-year policy for Independent Non-Executive Director pursuant to the MCCG.

However, the continuance of Mr. Leou Thiam Lai's office as Independent Non- Executive Director will be subject to the shareholders' approval at the forthcoming AGM

Sern Kou's Board is of the opinion that the two-tier voting outlined in the MCCG is not compatible with the provisions in the Companies Act 2016 and the Company's Constitution.

The Securities Commission Malaysia has issued a Frequently Asked Questions on the MCCG on 26 April 2017, and revised on 30 April 2021 ("MCCG FAQ") where provisions under the Companies Act 2016 (particularly Section 291) was clarified as follows:

"Section 291 of Companies Act 2016 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.

Section 202(2) of Companies Act 2016 states that the appointment of any subsequent director may be appointed by an ordinary resolution. In this section. The term 'may' is used and it is well settled that the use of the word 'may' in a statutory provision would not by itself show that the provision is directory in nature. Therefore, companies are allowed to determine the manner in which shareholders will exercise their rights in relation to the appointment or re-appointment of directors.



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The two-tier voting process is also consistent with the rights and powers attached to shares as accorded in the Companies Act 2016. In exercising the votes under two tier voting process, each shareholder continues to have only one vote for each shares held."

The Securities Commission in its MCCG FAQ also advocates that a company should adopt the two-tier voting process in its constitution to provide clarity on the company's approach and procedure to retain independent directors.

Hence, two-tier voting for Mr. Leou Thiam Lai whose tenure is more than nine years should be adopted as per the MCCG.

REPLY:

The Board acknowledged the recommendation and will prepare the necessarily in order to comply with the MCCG in the very near future.

Sern Kou is finalising the selection of suitable and qualified candidates to be appointed as the Independent Non-Executive Directors.

Please feel free to contact our Company Secretary should you require further clarification.

Thank you.

Yours faithfully,
Sern Kou Resources Berhad

Low Peng Sian @ Chua Peng Sian
Group Managing Director