

# NOTICE OF 49<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 49th Annual General Meeting of SOUTH MALAYSIA INDUSTRIES BERHAD [Co. No. 196901000152 (8482-D)] will be held at Ruby 2, Level 8, Holiday Villa, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Wednesday, 29 July, 2020 at 11:00 a.m. for the following purposes:

## AGENDA

### ORDINARY BUSINESS

- |    |   |  |
|----|---|--|
| 1. | To receive the audited financial statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.  | <b>(Please refer Explanatory Note (a))</b> |
| 2. | To approve the payment of under provision of Directors' Fees of RM228,000 to the Non-Executive Directors of the Company and subsidiaries for the period from 1 June 2019 until 29 July 2020.  | <b>Resolution 1</b>                        |
| 3. | To approve the payment of Directors' Fees of up to RM410,000 to the Non-Executive Directors of the Company and subsidiaries for the period from 30 July 2020 until the next Annual General Meeting of the Company to be held in 2021.         | <b>Resolution 2</b>                        |
| 4. | To approve the payment of Directors' Benefits (excluding Directors' Fees) not exceeding RM33,000 payable to Non-Executive Directors for the period from 30 July 2020 until the next Annual General Meeting of the Company to be held in 2021. | <b>Resolution 3</b>                        |
| 5. | To re-elect the following Directors retiring by rotation in accordance with Articles 85.3 and 86 of the Company's Constitution:-  |  |
|    | i) Dato' Zainuddin Bin Yahya – Article 85.3   | <b>Resolution 4</b>                        |
|    | ii) Ms Tan Siew Poh – Article 86  | <b>Resolution 5</b>                        |
|    | iii) Tan Sri Datuk Seri Ismail Bin Yusof – Article 86   | <b>Resolution 6</b>                        |
| 6. | To re-appoint Messrs UHY as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors.  | <b>Resolution 7</b>                        |

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without any modifications:

- |    |   |                     |
|----|---|---------------------|
| 7. | <b>Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016</b> | <b>Resolution 8</b> |
|----|---|---------------------|

“That pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorized to allot and to issue shares in the Company, from time to time, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are hereby also authorized to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

**8. Continuing in Office as Independent Non-Executive Directors**

i) “THAT authority be and is hereby given to Dato’ Dr Abdullah Bin Sepien who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”

**Resolution 9**

ii) “THAT subject to the passing of Resolution 6, authority be and is hereby given to Tan Sri Datuk Seri Ismail Bin Yusof who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”

**Resolution 10**

9. To transact any other business for which due notice shall have been given.

**BY ORDER OF THE BOARD**

**YONG MAY LI** (LS 0000295)/ SSM PC No. 202008000285

**WONG CHEE YIN** (MAICSA 7023530)/ SSM PC No. 202008001953

**TAN SIEW CHIN** (MAICSA 7007938)/ SSM PC No. 202008000798

**Company Secretaries**

Johor Bahru  
26 June 2020

**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 July 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 49th AGM.
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
7. The Proxy Form must be deposited with the Company Secretary at the Registered Office, Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time set for the Meeting.
8. Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.

## Explanatory Notes on Ordinary Business

### a) Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

### b) Item 2, 3 and 4 of the Agenda

#### **Resolutions 1, 2 and 3 – Directors’ Fee and benefits to Non-Executive Directors**

Section 230(1) of the Companies Act 2016 provided amongst others, that “the fees” of the directors and “any benefits” payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders’ approval be sought at the 49th AGM on the Directors’ remuneration.

At the 48th Annual General Meeting of the Company held on 29 May 2019, the Company had obtained the shareholders’ approval for the payment of Directors’ Fee to Non-Executive Directors of the Company and subsidiaries of RM480,000 for the period from 1 June 2019 until 29 July 2020. On 10 July 2019, an ex-gratia payment was granted to our former Chairman, Tan Sri Dato’ Mohd Ramli Bin Kushairi in appreciation of his services rendered to the Group over 36 years, whom has retired at the conclusion of the 48th AGM. In addition, due to the risks of COVID-19 pandemic, the Company has postponed the holding of Annual General Meeting which has been granted an extension of time by the Companies Commission of Malaysia. With the extension of holding of the AGM and the ex-gratia payment, there is an under provision of RM228,000, hence approval will be sought at the 49th AGM for the shortfall.

Under the Proposed Resolutions 2 and 3, the Directors’ fees and benefits payable to the Non-Executive Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognized that the Directors’ fees and benefits payable is in the best interest of the Company. The benefits comprises solely of meeting allowance. In determining the estimated total amount of Directors’ fees and benefits the Board considered various factors including the number of scheduled meetings as well as the number of Directors involved in these meetings.

The details of the remuneration and allowance payable to the Non-Executive Directors are as follows:-

#### **Directors Fee (per annum)**

Chairman of the Board	- RM180,000
Chairman of the Audit Committee	- RM108,000
Board member	- RM60,000

#### **Meeting Allowance (per meeting)**

Chairman of Audit Committee	- RM1,000
Board	- RM500
Audit	- RM500

Payments of Directors’ fees and meeting allowances will be made by the Company on a monthly basis and as and when incurred if the proposed Resolutions are passed at the 49th AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors’ Fees and meeting allowances on a monthly basis and as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries.

### c) Item 5 of the Agenda

#### **Resolutions 4, 5 and 6 – Re-election of Directors**

The Directors who are subject to re-election at the 49th AGM of the Company are as follows:-

#### **(a) Article 85.3 – Retirement by casual vacancy**

- (i) Dato’ Zainuddin Bin Yahya

Article 85.3 of the Company’s Constitution provides that any newly appointed Director shall hold office only until the next AGM and shall then be eligible for re-election.

**(b) Article 86 – Retirement by rotation**

- (i) Ms Tan Siew Poh
- (ii) Tan Sri Datuk Seri Ismail Bin Yusof

Article 86 of the Company's Constitution provides that one-third (1/3) or the number nearest to one-third (1/3) of the Director for the time being shall retire from office in every subsequent AGM and shall then be eligible for re-election.

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 49th AGM of the Company.

Based on the satisfactory outcome of its review, the Nomination Committee had made recommendations to the Board of Directors that these Directors be eligible to stand for re-election.

**Explanatory Notes on Special Business**

**d) Item 7 of the Agenda**

**Resolution 8 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

The proposed Resolution No. 8 if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for the purpose as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next AGM. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an Extraordinary General Meeting will be dispensed with.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last AGM held on 29 May 2019 and which will lapse at the conclusion of the forthcoming AGM.

The General Mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to further placing of shares, for the purpose of funding future investment project(s) working capital and/or acquisition.

**e) Item 8 of the Agenda**

**Resolutions 9 and 10 – Continuing in Office as Independent Non-Executive Directors**

The Nomination Committee ("NC") of the Company has conducted an assessment of independence on the following directors who have served as Independent Directors for a cumulative term of more than nine years and recommended them to continue to act as Independent Directors based on the following justifications:

- (i) Dato' Dr Abdullah Bin Sepien
- (ii) Tan Sri Datuk Seri Ismail Bin Yusof

Justifications

- (a) They have met the definition of independent director as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and would be able to provide check and balance thus bringing an element of objectivity to the Board;
- (b) Being directors for more than nine years have enabled them to contribute positively during deliberations/discussions at meeting as they are familiar with the operations of the Company and possess an in-depth knowledge of the Company's operation;
- (c) They have contributed sufficient time and exercised due care during their tenure as Independent Director of the Company;
- (d) They have discharged their duties with reasonable skills and competent, bringing independent judgement into the decision making of the Board and in the best interest of the Company and shareholders; and
- (e) They have vigilantly safeguarded the interests of the minority shareholders of the Company.

The Board endorsed the Nomination Committee's recommendation and recommended that Dato' Dr Abdullah Bin Sepien and Tan Sri Datuk Seri Ismail Bin Yusof to continue to act as Independent Non-Executive Directors of the Company subject to the approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to the Practice 4.2 of the Malaysian Code on Corporate Governance.

## **GENERAL MEETING RECORD OF DEPOSITORS**

To determine whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 65.2 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 July 2020. Only a depositor whose name appears on the Record of Depositors as at 21 July 2020 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his/her stead.

# **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

There is no person seeking for election as Director of the Company at this Annual General Meeting.