



GLOBAL PALM RESOURCES HOLDINGS LIMITED

(Company Registration No. 200921345M)

(Incorporated in the Republic of Singapore)

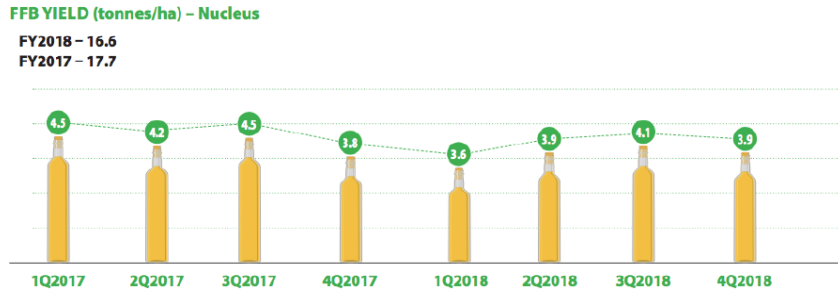
RESPONSE TO QUESTIONS FROM SECURITIES INVESTOR ASSOCIATION (SINGAPORE) (“SIAS”) ON ANNUAL REPORT 2018

The Board of Directors (the “**Board**”) of Global Palm Resources Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“SIAS”) on the Group’s FY2018 Annual Report, and wishes to respond to the questions in **blue** as follows:

SIAS Question 1

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

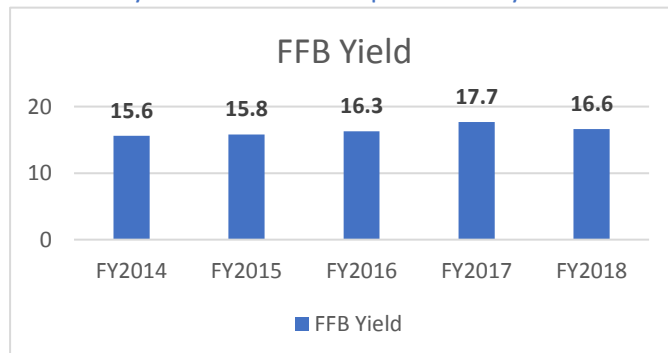
- (i) **FFB yield:** In FY2018, the FFB yield slipped from 17.7 tonnes/ha to 16.6 tonnes/ha. **What were the reasons for this drop?**



(Source: Company annual report)

Company’s reply

The FFB yield has been kept relatively stable over the last 5 years per below:

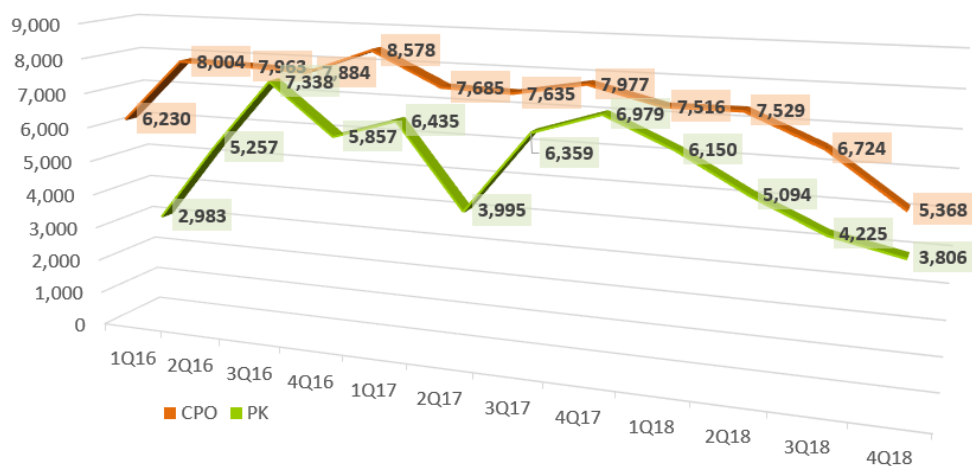


- (ii) **Average selling price:** The average selling price of Crude Palm Oil (“CPO”) decreased 17% to Rp6,609/kg (S\$0.62/kg) while the ASP for PK decreased 12% to Rp4,998/kg (S\$0.47/kg) in FY2018. **How does the group mitigate the risks associated with spot CPO/PK prices?**

Company’s reply

Our Group typically sells our CPO either on a spot or forward basis of up to three (3) months. This is to hedge the risks of adverse price fluctuations of our CPO, which we believe is sufficient based on our current scale of operations. Most of our sales are based on spot but with delivery in few weeks’ time.

Average Selling Prices (Rp/kg)



We are also trading in futures of CPO in the Kuala Lumpur Commodities Exchange (KLCE) to hedge the risks of adverse price fluctuations of CPO. We have a formal policy with respect to the trading in futures of CPO to mitigate the risks of significant fluctuations in CPO prices.

- (iii) **Gross profit margin:** Gross profit margin decreased to 9.1% in FY2018, compared to 24.2% in FY2017. **Other than the fluctuations in CPO and PK prices, what were the other reasons for the drop in the group’s gross profit margin?**

Company’s reply

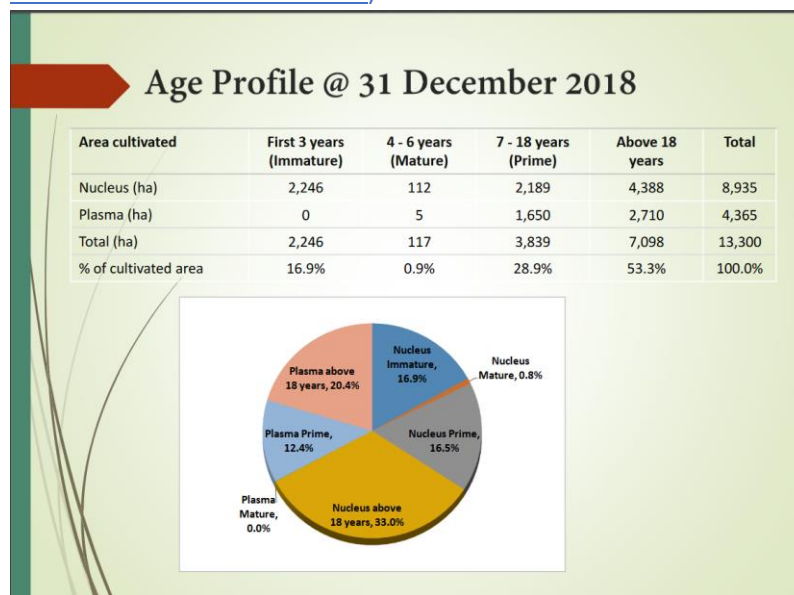
Other than the decrease in CPO average selling price and PK average selling price from Rp8,009/kg in FY2017 to Rp6,609/kg in FY2018 and Rp5,646/kg in FY2017 to Rp4,988/kg in FY2018 respectively, the sales volume of CPO and PK decreased from 51,825 tonnes in FY2017 and 46,325 tonnes in FY2018 and 8,003 tonnes in FY2017 to 6,501 tonnes in FY2018 respectively.

The decrease in CPO sales volume was influenced by unfavourable market and logistics conditions, coupled with lower productions that resulted from the Group’s recent replanting programme.

- (iv) **Age profile: Would management show the age profile of its planted area in greater detail?** For example, a common classification is to breakdown the planted area by is to breakdown the planted area by immature (0-3 years), young (4-7 years), prime (8-17 years) and old (>18 years).

Company’s reply

The Group’s age profile of its planted area by years were disclosed in the slides for the full year results announcement made on SGXNet (<https://links.sgx.com/1.0.0/corporate-announcements/H55RXD345XBETWGS/30de322cbc2d57b267a74fdbeca2d7bd4f929817e85ed998bc19d15b93dde391>) on 1 March 2019 as follows:



The age profile of its planted area by years were also presented during our Company’s AGMs and released via SGXNet thereafter.

Global Palm Resources Holdings Limited
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 Announcement – Response to Questions from SIAS on Annual Report 2018

Q2. The remuneration of the executive directors for the past 3 years is shown below:

2018				
Directors	Fees	Salary/ Allowance	Bonus/Benefit	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Dr Tan Hong Kiat @ Suparno Adijanto	-	338	106	444
Ivan Swandono	-	107	29	136
2017				
Directors	Fees	Salary/ Allowance	Bonus/Benefit	Total
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Dr Tan Hong Kiat @ Suparno Adijanto	-	250	22	272
Ivan Swandono	-	98	17	115
2016				
Directors	Fees	Salary/ Allowance	Bonus/Benefit	Total
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Dr Tan Hong Kiat @ Suparno Adijanto	-	259*	43	302*
Ivan Swandono**	-	89*	18*	107*

(Source: Adapted from 2018, 2017 and 2016 Company annual reports)

Over the past three years, the financial performance of the group is shown below:

Rp '000	FY2016	FY2017	FY2018
Revenue	385,737,762	460,279,845	338,577,890
Gross profit	91,690,072	111,331,203	30,689,116
Gross profit margin (%)	23.8	24.2	9.1
Profit/(loss) before income tax	69,875,549	69,869,191	(4,462,848)
Profit/(loss) for the financial year	48,494,133	45,630,639	(7,509,599)
Profit/(loss) attributable to:			
Owners of the parent	46,423,255	42,686,592	(7,395,850)
Non-controlling interest	2,070,878	2,944,047	(113,749)
	48,494,133	45,630,639	(7,509,599)

In FY2018 when the group experienced a loss of Rp(7.5) billion, the executive chairman and CEO received a 35% increase in his base salary and a bonus of approximately 30% of the base salary. The total remuneration of the executive chairman and CEO increased by 63% from the previous year (FY2017).

- (i) **When did the remuneration committee (RC) last review the remuneration packages of the executive directors?**

Company's reply

The last review of the remuneration packages of the executive directors by the remuneration committee was made on 27 February 2019. At the remuneration committee meeting on 27 February 2019, it was decided that there will be no salary increment and bonus in FY2019 for the executive chairman and CEO, COO and CFO, based on the performance of the Group in FY2018.

- (ii) **What were the key performance indicators used to assess the performance of the directors?**

Company's reply

Non-executive directors are assessed according to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Executive directors are assessed based on the performance of the Group as a whole and their individual performance.

- (iii) **Is a significant and appropriate proportion of the executive directors' remuneration linked to corporate and individual performance?**

Company's reply

Executive directors do not receive Directors' fees. In settling remuneration packages, the RC will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages would take into account the Group's relative performance and the performance of individual Director.

The remuneration for executive directors comprise of basic salary component and variable component, namely the annual incentive bonus. The latter is based on the performance of the Group as a whole and their individual performance for the previous financial year, during the annual remuneration committee meeting. As assessed during the remuneration committee meeting on 27 February 2019, there are no salary increment and bonus in FY2019 for the executive chairman and CEO, COO and CFO, based on the performance of the Group in FY2018.

Q3. The board comprises 5 directors, including 3 of whom are independent.

The independent directors are Yee Kit Hong, M. Rajaram and Guok Chin Huat Samuel. All three directors were first appointed on 16 March 2010. As such, all 3 directors have served on the board for more than 9 years.

At the company's annual general meeting scheduled to be held on 30 April 2019, Mr Guok Chin Huat Samuel will be retiring pursuant to the Constitution of the Company and will be seeking his re-election.

- (i) Can the company help shareholders recall if it has appointed any independent director ever since it got listed?**

Company's reply

The 3 independent directors (Yee Kit Hong, M. Rajaram and Guok Chin Huat Samuel) were appointed on 16 March 2010, prior to the listing of the Company on 29 April 2010. The Company has not appointed any new independent director since listing.

- (ii) What is the search and nomination process for directors, especially independent directors?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Company's reply

The NC has in place a policy for the selection, nomination and appointment (or re-appointment, as applicable) of directors. The NC takes the lead in identifying, evaluating and selecting suitable candidates for the relevant position before recommendation to the Board for appointment.

In identifying suitable candidates, the NC considers candidates from internal and external sources, taking into consideration their reputation, and industry standing. In deciding whether a candidate is suitable, the NC will evaluate, in relation to the position being considered, the qualifications, experience, skill set and knowledge of the potential candidate to ensure it meets the business and governance requirements of the Group.

- (iii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

Company's reply

The Company has evaluated the impact of the 2018 Code and the amendments to the Listing Rules to the Board. Currently, the independent directors of the Company comprise 60% of the Board, and therefore the Company is in compliance with the requirement that independent directors constitute a majority of the board in the event the position of Chairman and CEO is occupied by the same person.

The board is prepared to comply with the 2-tiered shareholder approval requirement for re-appointment of independent directors who have served on the board for more than 9 years when such requirement comes into effect on 1 Jan 2022. The board has also initiated discussions on the costs, benefits and downsides of the refreshment of its members. While the Board recognises the benefits of refreshing its independent members, the Board also takes into account the depth of knowledge, experience and familiarity regarding the management and operation of the Group's business that the independent directors have acquired over the years, which enables the independent directors to critically and accurately evaluate and analyse any actions and business decisions taken by the Group, with a view of ensuring proper adherence to corporate governance requirements and internal control procedures.

- (iv) **Can the nominating committee (NC) elaborate further on the succession plans for the board and other key management positions?**

Company's reply

On 12 May 2016, the Group has appointed Mr Ivan Swandono as an Executive Director and Chief Operating Officer of the Group. Since his appointment, Mr Ivan Swandono has, in his capacity as Executive Director and Chief Operating Officer, dedicated himself fully to the management, operation, and running of the business of the Group, under the mentorship and supervision of Dr Suparno Adijanto, to ensure that when the time comes, he will be ready and prepared to take over the reins of leadership of the Group.

In respect of other key management positions, including mill and estate, the Group recognizes the importance of succession planning, and though the Group has the necessary personnel with the requisite skill, knowledge and experience, the Group is nonetheless on a constant look-out for talent to supplement its ranks and plan for succession of such key management roles.

- (v) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

Company's reply

The Board, through the NC, periodically and on an on-going basis, reviews the size, structure, and composition of the Board.

The NC is of the view that the independent directors, which currently make up more than half of the Board, possess the adequate range of experience, skills, competencies and knowledge required not just to support the effective management of the Group, but also to act as a check and balance to the executive members of the Board.

The Board collectively possesses core competencies in areas such as business management, accounting and finance, legal and regulatory, risk management, and most importantly, industry knowledge, not just on the part of the executive directors, but also the non-executive independent directors, who by virtue of their tenure on the board of the Company, have acquired an in-depth knowledge of not just the business of the Group itself, but also of the industry as a whole.

- (vi) **What are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

Company's reply

As mentioned above, the board through the NC has considered the impact of the new 2018 Code, and is confident that it will be able to comply with the requirements of the new 2018 Code in good time.

BY ORDER OF THE BOARD

Dr Tan Hong Kiat @ Suparno Adijanto
Executive Chairman & CEO

7 May 2019