KRETAM HOLDINGS BERHAD (Co. No. 168285-H)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTIETH ANNUAL GENERAL MEETING OF KRETAM HOLDINGS BERHAD HELD ON FRIDAY, 22 JUNE 2018 AT 10.01 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT LOT 6, BLOCK 44, LEBOH TIGA, 90000 SANDAKAN, SABAH.

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1. CHAIRMAN'S WELCOME TO MEETING

Mr Wong Len Kee, the Chairman of the Meeting ("Chairman of the Meeting,") welcomed all who were present to the Company's Thirtieth Annual General Meeting ("the Meeting").

2. NOTICE OF THE MEETING

The Notice of the Meeting was taken as read with the consent of all members present ("the Members").

3. VOTING PROCEDURES

The Chairman of the Meeting advised that, pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, the voting of all the resolutions set out in the Notice of the Meeting would be carried out by poll. The Company had appointed Mr John Liaw Chee Shing as the Scrutineer to verify the poll results.

4. AUDITED FINANCIAL STATEMENTS AND REPORTS OF DIRECTORS AND AUDITORS

The Company's Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon ("AFS and Reports") were meant for discussion only as they did not require shareholders' approval under the provision of Section 340 (1) of the Companies Act 2016 and were therefore not put forward for voting.

The Chairman of the Meeting informed that the Company had received a letter dated 13 June 2018 from Minority Shareholder Watchdog Group ("MSWG") by fax. Questions raised in MSWG's letter and the Company's replies thereto presented at the Meeting were as follows:-

"*STRATEGIC/FINANCIAL MATTERS*

MSWG Query:

1. *The Chart on Refinery Overseas Markets by Revenue on page 29 of the Annual Report 2017 showed a significant decline of revenue from Europe market from 74.12% to 3.88%, increase of percentage in revenue from Philippines, China and India and new market in Pakistan, South Korea and Bangladesh.*

   (a) *What is the reason for the significant decline in revenue from Europe? Will the European Parliament's proposed move to ban the use of palm oil to produce biodiesel by 2021 further reduce exports to Europe?*

(b) *In November 2017, India increased import tax on CPO to 30% from 15%, and on refined palm oil to 40% from 25%. Will this impact the export to India, moving forward?*

(c) *Are the new markets in Pakistan, South Korea and Bangladesh expected to expand in the coming years?*

Company's Reply:

1. (a) The revenue derived from Europe was mainly from CPO export in 2016. By August 2016, CPO prices rose above RM2,800 which attracted CPO export duty of about 6.5%. The Group then shifted its emphasis to produce refined products.

   Besides, all our RSPO-certified CPO was sold locally as the POIC jetty is yet to be RSPO-certified.

   The European Parliament's proposed ban on palm oil to produce biodiesel will definitely have further impact on the export of CPO and refined products to Europe. It is also one of our main reasons to find other outlets for our CPO and refined products. However, according to the latest news received, the time proposed by the European Parliament to ban palm oil in biodiesel production has been extended from 2021 to 2030. This will enable palm oil use in biodiesel production to continue in the interval.

   (b) Yes, the Group is of the view that India's increased import tax will impact export of CPO and refined palm oil products to India on a short-to-medium term. However, India remains a net importer for edible oils. In recent developments, India has also increased import duty for soya bean oil and sunflower oil.

   (c) It will expand not only in these countries but globally. As the world's population grows, so will consumption. Palm oil has to compete with various other oils in the international markets and the Group hopes with these new markets to be able to capture more demands and increase competition for its products.

MSWG's Query:

2. *The revenue of the Refinery Division for FY2017 increased to RM565.4 million from RM260.5 million in FY2016, an increase of 117%. However, the Division incurred a higher loss of RM26.661 million compared with a loss of RM14.446 million in FY2016, an increase of 85%. As explained in the Management Discussion & Analysis (MD&A) on page 29 of the Annual Report, the increase in loss of the division is due to downtrend in commodity prices for the year, where the products sold at a lower profit margin.*

   (a) *CPO prices were generally higher in 2017 compared to 2016. Please explain what commodity prices have impacted the profit margin of the products sold?*

   (b) *What is the percentage decline in the average price of the commodities compared with FY2016?*

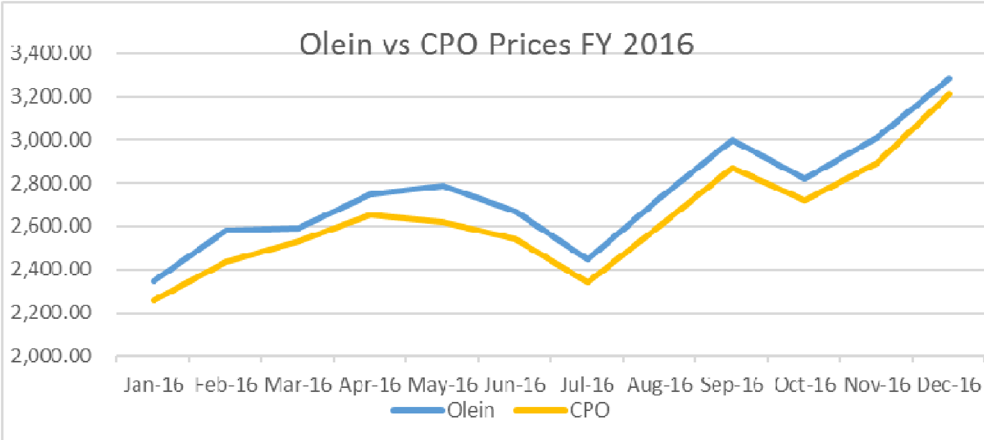
   (c) *What are the measures taken to mitigate the impact of the commodity price risk on the profitability of the Division?*

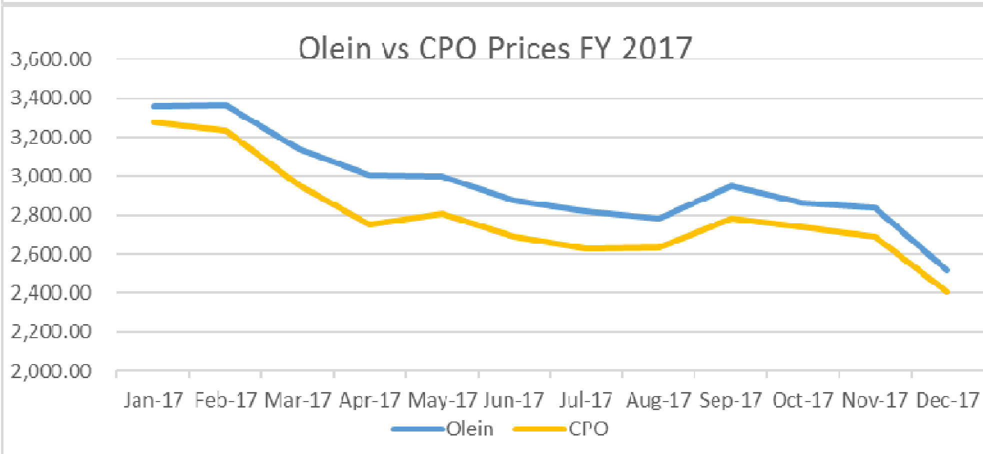
Company's Reply:

2. (a) & (b) The prices for refined products usually move in tandem with CPO prices.

   FY2016 average price was RM2,608.
   FY2017 average price was RM2,763, increase of 5.93%.

However, refining margins are highly dependent on price trends rather than the average price over the respective period.





CPO prices between January 2016 and December 2016 moved in an upward trend from RM2,300 to RM3,300 but in contrast they dipped between January 2017 and December 2017 from around RM3,300 to RM2,400. Consequently, as can be seen from the above charts, CPO purchased at a lower price would result in refined products being processed and sold at a higher price as in FY2016 but vice versa as in FY2017.

(c) Constant monitoring of market changes and swings will help to anticipate and avoid extensive impairments to our products. The Group has to compete and try to limit negative margins by earlier sales at better values ahead of its competitors.

<u>MSWG's Query</u>:

3. The chart on page 28 of the Annual Report shows that the planted area in Sandakan, Tawau and Lahad Datu as at 31 December 2017 are 45%, 28% and 27% respectively.

(a) Can the unplanted areas of 55%, 72% and 73% in Sandakan, Tawau and Lahad Datu respectively be fully planted with oil palms?

(b) What is the planting schedule or plan for the unplanted areas?

<u>Company's Reply:</u>

3. (a) MSWG appeared to have misinterpreted the chart. For clarity, it means the Group has planted a total of 19,611 hectares comprising the following:-

- Sandakan Region – 8,777 hectares or 45% of the 19,611 hectares;
- Tawau Region – 5,588 hectares or 28% of the 19,611 hectares; and
- Lahad Datu Region – 5,245 hectares or 27% of the 19,611 hectares.

(b) The 19,611 hectares represent all the plantable areas, that is, the Group's land is fully developed.

MSWG's Query:

4. *As disclosed in Note 22 to the Financial Statements on page 133 of the Annual Report 2017, there is an amount of RM387.534 million due from subsidiaries and the allowance for impairment in respect of this amount has increased from RM83.144 million in FY2016 to RM87.134 million in FY2017.*

   (a) From which subsidiaries is this amount due from and what is the nature of the amount due?

   (b) The impairment is in respect of the amount due from which subsidiaries and is the amount recoverable?

   (c) Please share on the financial performance and the outlook of the subsidiaries involved.

Company's Reply:

4. (a) Most of the subsidiaries from which amounts are due are dormant companies which are no longer in operation.

   The nature of the amounts owing by the other subsidiaries is:-

   1) Syarikat Kretam Plantations Sdn Bhd – RM180.0 million: (i) the purchase of the land from Kretam Holdings Berhad ("KHB") in relation to the land rationalisation exercise of the Group in FY2005; and (ii) dividend payable to KHB;
   2) Kretam Renewable Energy Sdn Bhd – RM6.4 million: building of the Biogas Plant;
   3) Syarikat Kretam Mill Sdn Bhd – RM88.0 million: FFB purchased from Kretam Holdings Berhad;
   4) KHB Nusantara Sdn Bhd – RM15.0 million: building of the Fertiliser Plant;
   5) Green Edible Oil Sdn Bhd – RM11.0 million: initial loan for refinery extension and payment of the loan; and
   6) Usaha Dimega Sdn Bhd – RM253,000: investment in the Bulking Joint Venture with a Government-linked company.

Company's Reply:

4. (b) The amount due from the Biogas Plant will be recoverable once it comes into operation. Amounts due from Syarikat Kretam Mill Sdn Bhd, Green Edible Oil Sdn Bhd and KHB Nusantara Sdn Bhd will be recoverable. However, amounts owing by dormant companies will not be recoverable.

CORPORATE GOVERNANCE MATTERS

MSWG's Query:

As disclosed on page 21 of the Annual report 2017, we note that the cost amounting to RM16,232 incurred for Internal Audit Function (IAF) in FY2017 was significantly lower than the amount of RM85,957 incurred in FY2016.

What is the reason for the significant decline in the cost incurred for IAF in FY2017? Is the Board and audit committee convinced that a robust and meaningful internal audit can be done at an annual cost of RM16,232?

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records, and for posting on our website for the benefit of all stakeholders.

Company's Reply:
5 cycles of internal audit are carried out yearly at a cost of RM12,000 plus incidentals per cycle. Timing difference was the cause for the significant difference between the cost for FY2017 and FY2016 as invoices for cycles 4 and 5 for FY2017 were not issued and received in FY2017 but in 2018."

The Chairman of the Meeting informed the Meeting that a written reply would also be sent to MSWG.

Other questions raised by MSWG's representative, Ms. Hoo Ley Beng ("HLB"), at the Meeting and the Company's replies thereto were as follows:

i) Is the Bulking Joint Venture ("BJV") still on?

The Chairman of the Meeting responded that KHB Board had decided to shelve the BJV for the time being but the proposal would be studied again.

ii) Is the BJV investment recoverable?

The Chairman of the Meeting opined that it would be recoverable.

iii) How long is an internal audit cycle?

The Chairman of the Meeting explained that there was no fixed duration for a cycle but it would cover a selected location and the internal audit work required.

iv) The costs for work done for internal audit relating to FY2017 should have been accrued in the financial statements.

Mr Yin Kong Fung ("YKF"), the Company's Head of Finance & Accounts, explained that cycles 4 and 5 which entailed visits by the Internal Auditors to a Tawau estate and a Lahad Datu estate respectively, were delayed to the beginning of FY2018. As work for the 2 cycles was not carried out in 2017, no accruals were made for FY2017. Subsequently, the 2 cycles were completed in the 1st quarter of 2018 and the invoices were received and settled accordingly in the 2nd quarter of 2018.

v) What is the reason for the delay for cycles 4 and 5?

YKF informed that the two cycles, scheduled for October and November 2017, coincided with the interim audit of the external auditors who were given priority to the visitors' accommodation in the estates. Further, as cycles 4 and 5 were related to making observations in the field operation, the Internal Auditors' intended visits to the estates were hindered by the rainy season in the last quarter of 2017.

vi) Is the acquisition of a parcel of industrial land disclosed on page 136 of the Annual Report 2017 under Note 22(d) on Deposits & Prepayments (Non-Current) of the Notes to the Financial Statements, related to Kretam's plantation land?

The Chairman of the Meeting informed that Green Edible Oil Sdn Bhd ("GEO") had acquired the land due to its location with access to the main river and its proximity to GEO's own land in the Palm Oil Industrial Cluster. Transfer of the land title to GEO's name was being awaited.

vii) *How would the Company address its current non-compliance with the Public Shareholding Spread Requirement ("PSSR")?*

The Company's Chief Executive Officer, Datuk Lim Nyuk Sang @ Freddy Lim, responded that Bursa Securities' reply to the Company's application for an extension of time to rectify its current PSSR non-compliance was being awaited. Efforts would be made to address the non-compliance now that Hap Seng Plantations Holdings Berhad had terminated its potential takeover offer of the Company. The Company hoped to comply with the PSSR by end of this year.

viii) *In relation to a recent announcement on the appointment of Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir ("DAA"), the Company's Executive Chairman, as Utusan Melayu (Malaysia) Bhd's Executive Chairman, did DAA have the Company's consent for the new appointment?*

The Board members present at the Meeting informed that they had no knowledge of the appointment until it was announced in the news media.

ix) *The time commitment of DAA between the 2 full-time positions held by him in view of the different industry and the geographical distance between the Company and UMB is a concern.*

The Chairman of the Meeting replied that the Board took note of HLB's concern.

There being no further questions, the Meeting proceeded to the rest of the agenda in the Notice of the Meeting.

5. ORDINARY RESOLUTIONS 1 TO 9

Voting on the following Ordinary Resolutions 1 to 9 which were duly proposed and seconded by Members, was conducted by poll:-

ORDINARY RESOLUTION 1
- Re-election of Mr Tan Kung Ming as Director retiring by rotation pursuant to Article 80 of the Company's Articles of Association

ORDINARY RESOLUTION 2
- Re-election of Ms Teo Gim Suan as Director retiring by rotation pursuant to Article 80 of the Company's Articles of Association

ORDINARY RESOLUTION 3
- Re-election of Mr Lee Kok Toong @ Lee Ming Heng who was appointed as a Director on 30 August 2017 and retiring in accordance with Article 86 of the Company's Articles of Association

ORDINARY RESOLUTION 4
- Payment of Directors' Fees of RM55,000 for the year ended 31 December 2017

ORDINARY RESOLUTION 5
- Payment of Directors' Remuneration (excluding Directors' fees) of RM102,600 to the Independent Non-Executive Directors from conclusion of the 30th AGM to the next AGM

ORDINARY RESOLUTION 6

- Re-appointment of Messrs Ernst & Young as Auditors

ORDINARY RESOLUTION 7

- Approval of Mr Tan Kung Ming's continuation in office as Independent Non-Executive Director

ORDINARY RESOLUTION 8

- Authority to allot shares pursuant to Section 76 of the Companies Act 2016

ORDINARY RESOLUTION 9

- Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

6. DECLARATION OF POLL RESULTS

The poll results of each of the Ordinary Resolutions, validated and read out by the Scrutineer and declared carried by the Chairman of the Meeting were as follows:

Ordinary Resolution	Vote For		Vote Against		Total Votes	
	No. of shares	%	No. of shares	%	No. of shares	%
1	1,047,903,960	100.00	500	0.00	1,047,904,460	100.00
2	1,047,904,460	100.00	0	0.00	1,047,904,460	100.00
3	1,047,904,460	100.00	0	0.00	1,047,904,460	100.00
4	52,448,685	100.00	0	0.00	52,448,685	100.00
5	1,047,748,360	99.99	156,100	0.01	1,047,904,460	100.00
6	1,047,904,460	100.00	0	0.00	1,047,904,460	100.00
7	1,047,903,960	100.00	500	0.00	1,047,904,460	100.00
8	1,047,904,460	100.00	0	0.00	1,047,904,460	100.00
9	52,448,685	100.00	0	0.00	52,448,685	100.00

7. CONCLUSION OF MEETING

There being no other business, the Chairman of the Meeting declared the Meeting closed and thanked the Members for their attendance. The Meeting ended at 11.55 a.m. with a vote of thanks to the Chairman of the Meeting.