



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

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-NINTH ANNUAL GENERAL MEETING OF KRETAM HOLDINGS BERHAD HELD ON TUESDAY, 13 JUNE 2017 AT 10.31 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT LOT 6, BLOCK 44, LEBOH TIGA, 90000 SANDAKAN, SABAH.

1. CHAIRMAN'S WELCOME TO MEETING

On behalf of the Board of Directors of the Company, Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir, the Chairman of the Board of Directors, welcomed all who were present to the Twenty-ninth Annual General Meeting of the Company ("the Meeting").

2. NOTICE OF THE MEETING

The Notice of the Meeting which was circulated on 19 May 2017, was taken as read with the consent of all members present ("the Members").

3. VOTING PROCEDURES

Before proceeding with the agenda of the Meeting, the Members were briefed by the Chairman that all resolutions set out in the Notice of the Meeting would be voted on by way of poll pursuant to Bursa Malaysia Securities Berhad's Listing Requirements. Mr John Liaw Chee Shing was appointed 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 2016 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 invited questions on the AFS and Reports from the Members. There being no questions, the Chairman informed that a letter dated 7 June 2017 from Minority Shareholder Watchdog Group ("MSWG") had been received by the Company. Questions raised in MSWG's letter and the Company's replies thereto presented at the Meeting as well as other questions asked and the Company's replies given at the Meeting were as follows:-

"STRATEGIC/FINANCIAL MATTERS

MSWG Query:

1. *As stated in the Management Discussion & Analysis, the Plantation Division had initiated a cost-saving exercise and using buffalo as a means of in-field FFB evacuation to improve labour productivity.*

- (a) *What was the production cost per mt of CPO (excluding replanting cost) for FY2016 and to what extent the cost-saving exercise and the use of buffalo in the estates would expect to reduce the production cost, moving forward?*
- (b) *What is the percentage of labour cost to the total production cost of CPO and what is the current ratio of the number of workers per hectare of planted area? To what extent the use of buffalo would change the ratio and the percentage of the labour cost to the total production cost?*

Company's Reply:

1. (a) The production cost per mt of CPO (excluding replanting cost) for FY2016 was RM1,452. The use of 332 heads of buffalo had reduced the number of harvesters, thereby reducing labour cost by RM12 per mt of CPO.
- (b) The percentage of labour cost to the total production cost of CPO is 39% and the current ratio of number of workers to number of hectares of planted area is 1:7 or 1 worker to 7 hectares. The use of buffalo would change the ratio of 1 harvester :16 hectares to 1 harvester : 24 hectares.

MSWG's Query:

2. *We noted that the FFB and oil yields of the Group for both FY2015 and FY2016 were below the MPOB Sabah Average.*

Besides the El Nino phenomenon, what were the other contributing factors to the low yields recorded by the Group and what measures taken to improve the yields?

Company's Reply:

2. Besides the El Nino phenomenon, the fact that 41% of our palms are from the new planting, young mature and aging palm categories whilst 59% of the palms are of prime age which produces majority of the crops, also accounted for the low yields.

Measures taken to improve the yield included the application of empty fruit bunches as mulching in the field and replanting of less productive areas with new planting materials.

MSWG's Query:

3. *We noted that the refinery revenue from China and India markets had declined substantially from 17.17% to 0.98% and from 9.1% to 0% respectively in FY2016 compared to FY2015.*

- (a) *What was the percentage of the export sales for refinery products to the total revenue of the Refinery Division?*
- (b) *How would the Board view the outlook of the China & India markets for refinery products in FY2017?*

Company's Reply:

3. (a) At the destination markets, during the year 2016, Indian palm oil buyers were badly hit by a series of defaults and corporate takeovers/restructuring, a notable example being Avanti. In addition, we had the difficulty in securing acceptable mode of payment from South Asian buyers in general, so we decided to steer clear of shipments to that region. As for China, there was news of entire vessel tankers being rejected due to an arsenic content issue of palm products, prompting the tightening of testing specifications for food grade palm oil. Due to these concerns and also non-competitive buying prices from China during the year, we had also cut down shipments to China.

In addition to the above, the POIC bulking facility and jetty were not yet commissioned for use in 2016. Many vessels of sizes typically used to service the China and India routes were not able to berth at the only available smaller jetty facilities, thus limiting our options to sell to these countries.

Due to the above reasons, during the year 2016 we had continued to seek better value buyers in terms of price, secure payment terms and logistics from other countries.

The percentage of the export sales for refined products to the total revenue of the Refinery Division was 14%.

- (b) For 2017, with access to the POIC bulking facility and jetty, we have had and will continue to have access to a wider range of buyers who may be able to offer better value and security. Nonetheless, we remain cautious with the China and India markets, currently selling only on FOB basis to these countries, and only to well-established and reputable trading partners.

MSWG's representative, En. Norhisam Bin Sidek, present at this meeting, asked whether there was any new target market and whether export models to China and India were the same.

Mr Wong Len Kee, the Company's Executive Director overseeing the Refinery Division, informed that in late-2016 to 2017 some inroads into the Philippines market in Luzon and Mindanao for refined products, particularly olein, had been achieved and continuous efforts would be required to make the Philippines market a significant one. Export models to China and India were the same.

MSWG's Query:

4. *The Sustainability Statement reported that the Group committed to provide a safe and healthy working environment to the employees.*

(a) *Could the Board provide the data related to Occupational Safety and Health Administration (OSHA), such as number of accidents, lost time injury, etc. for FY2016? We hope the future annual reports would provide these data.*

(b) *What is the annual budget allocated for OSHA activities to ensure effective implementation of the Occupational Health and Safety Management?*

Company's Reply:

4. (a) Data related to Occupational Safety and Health Administration (OSHA) is as follows:-

No. of Accidents Reported	: 98
Lost Time Incident	: 33 (130 hours)
NADOPOD	: 8
Dangerous Occurrence	: 0

(b) The annual budget allocated for OSHA activities is as follows:-

- Budget 2017 = RM218,969
- Actual 2016 = RM178,735

CORPORATE GOVERNANCE MATTERS

MSWG's Query:

1. *We noted Y. Bhg. Dato' Abd. Aziz bin Haji Sheikh Fadzir had attended only 2 out of 4 Board Meetings (50%).*

- (a) *What was the reason for him not being able to attend the meetings held during the year?*
- (b) *What was the notice period given to the Directors for the Board Meetings to be held?*

Company's Reply:

1. (a) Y. Bhg. Dato' Abd. Aziz bin Haji Sheikh Fadzir was absent from the 2 Board Meetings held on 26 February 2016 and 29 November 2016. He had intended to attend those meetings, but could not as he was overseas immediately prior to those dates and had to extend his stays due to unforeseen circumstances. In view of that, he perused the Board papers for the 2 meetings, had discussion thereon with the CEO and noted that there was no major issue that specifically required his attendance to address. It should be noted that his 50% Board meeting attendance had complied with Chapter 15.05(3)(c) of Bursa Securities' Listing Requirements.
- (b) It is the Company's normal practice to give 1 week's notice for Board Meetings. A Board Meeting date is first proposed and is then fixed after all the Directors have agreed to the date suitability and their own availability.

En. Norhisam Bin Sidek commented that while the Chairman's Board meeting attendances had met the minimum requirement, MSWG would encourage all Directors to go beyond that to promote good Corporate Governance. The Chairman replied that he took note of that and agreed that it was every Director's duty to attend every Board meeting.

MSWG's Query:

2. *Under Resolution 3, the Company is seeking shareholders' approval for Directors' fees of RM60,000 for the year ended 31 December 2016. However, we noted that the Directors' fees showed in the Corporate Governance Statement and Note 11 to the Financial Statements for FY2016 was RM70,000.*

Could the Board explain the discrepancies?

Company's Reply:

2. The Directors' fees of RM60,000 under Resolution 3 and that of RM70,000 as disclosed in the Corporate Governance Statement and Note 11 to the FY2016 Financial Statements are for 2 different years, i.e. FY2016 and FY2015 respectively. The FY2015 Directors' fees of RM70,000 were paid to the 7 Directors during the year 2016 after obtaining shareholders' approval in the 2016 AGM. Likewise, the Directors' fees of RM60,000 in respect of FY2016, reduced by RM10,000 as compared to FY2015 resulting from the resignation of an Executive Director during FY2016, under Resolution 3 which, if passed by the shareholders at this year's AGM, would be paid to the 6 Directors who each completed a full year of service on the Board during the year 2016.

MSWG's Query:

3. *Under Resolution 4, the Company is seeking shareholders' approval for Directors' remuneration (excluding Directors' fee) to the Independent Non-Executive Directors (INEDs) up to an amount of RM140,600 from 1 January 2017 until the next AGM of the Company. We noted that for FY2016, the Non-Executive Directors were paid other emoluments of RM84,000.*

Could the Board provide the details of the other emoluments payable to the INEDs?

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:

3. Other emoluments comprise of monthly fixed allowances payable to the 3 Independent Non-Executive Directors ("INEDs") in recognition of the scope of their responsibilities, services, attendance at Board and Board Committee meetings and time commitment. Among the 3 INEDs, the amount of emolument payable to Mr Tan Kung Ming is the highest as his responsibilities are greater since he sits on 3 Board committees as chairman. Accordingly, emolument payable to Ms Teo Gim Suan, an INED who is a member of 3 Board committees, is higher than the third INED, Mr Wong Chin Kwong who, prior to his retirement at the conclusion of this year's AGM, was a member of 2 Board committees.

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

5. ORDINARY RESOLUTIONS 1 TO 7

There being no questions raised on the following Ordinary Resolutions 1 to 7 save for those raised by MSWG as discussed earlier, voting on all the Ordinary Resolutions which were duly proposed and seconded by Members was conducted by poll:-

ORDINARY RESOLUTION 1

- Re-election of Y. Bhg. Dato' Aziz Bin Haji Sheikh Fadzir as Director retiring by rotation pursuant to Article 80 of the Company's Articles of Association

The Chairman informed the Members that Mr Wong Chin Kwong ("WCK"), an INED of the Company, also retired by rotation at the conclusion of the Meeting but did not wish to seek for re-election. The Chairman expressed the Company's appreciation to WCK for his service during the past 9 years which was placed on record and wished him well in his future undertakings.

ORDINARY RESOLUTION 2

- Re-election of Mr Pek Hak Bin who was appointed as a Director on 16 March 2017 and retiring in accordance with Article 86 of the Company's Articles of Association

ORDINARY RESOLUTION 3

- Payment of Directors' Fees of RM60,000 for the year ended 31 December 2016

ORDINARY RESOLUTION 4

- Payment of Directors' Remuneration (excluding Directors' fees) of RM140,600 to the Independent Non-Executive Directors from 1 January 2017 until the Next Annual General Meeting

ORDINARY RESOLUTION 5

- Re-appointment of Auditors

ORDINARY RESOLUTION 6

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

ORDINARY RESOLUTION 7

- 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 the Ordinary Resolutions 1 to 7, validated and read out by the Scrutineer and declared carried by the Chairman, were as follows:-

Ordinary Resolution	Vote For		Vote Against		Total Votes	
	No. of shares	%	No. of shares	%	No. of shares	%
1	1,028,724,690	99.97	292,700	0.03	1,029,017,390	100.00
2	1,029,017,390	100.00	0	0.00	1,029,017,390	100.00
3	170,630,425	100.00	0	0.00	170,630,425	100.00
4	1,028,861,290	99.98	156,100	0.02	1,029,017,390	100.00
5	1,029,017,390	100.00	0	0.00	1,029,017,390	100.00
6	1,029,016,890	100.00	0	0.00	1,029,016,890	100.00
7	19,129,285	100.00	0	0.00	19,129,285	100.00

7. CONCLUSION OF MEETING

There being no other business to be transacted, the Chairman declared the Meeting closed at 12.06 p.m. and thanked the Members for their attendance. A vote of thanks to the Chairman was proposed and seconded by two Members.