

Strategy/Financial

1. As stated in the Management's Discussion and Analysis, the production cost for both FFB and CPO for FY2015 had increased in line with the increase in fertilizer prices and processing cost.

(a) Are the fertilizers sourced from the local suppliers? What are the factors that would likely affect the fertilizer prices?

Yes. Our fertilizers are supplied from local suppliers even though the sources of fertilizers are from overseas. The major fertilizer suppliers for FY 2015 were as follows:-

- 1. Behn Meyer Agricare (M) Sdn Bhd*
- 2. Union Harvest Sdn Bhd*
- 3. Agromate (M) Sdn Bhd*
- 4. PK Fertilizers Sdn Bhd*
- 5. Prosper Trading Sdn Bhd*
- 6. Hap Seng Fertilizers Sdn Bhd*

Weakening of Ringgit against US Dollar in 2015 had affected the fertilizer prices as the imports for some of the raw materials more expensive as it was transacted in US Currency.

(b) What is the current fertilizer cost per year and the percentage to the total production cost?

Fertilizer cost per year for 2015 was RM19.88 million.

Percentage to the total production cost is 24%.

(c) Would the Board foresee any significant increase in fertilizer cost in 2016 and what measures would be taken to minimize the adverse impact from the price increase?

The Board foresees that the fertilizer cost in 2016 would be lower as compared to 2015. In the event of price increase, the Company would consider using the compound fertilizers instead of straights and mixtures to mitigate the increase in the fertilizer costs.

2. We noted that 22,290 hectares of land owned by the Group are concentrated in Pahang, out of which 21,373 hectares or 96% are planted. As stated in the Group Executive Chairman's Statement, the Group will endeavor to expand its plantation hectarage by acquiring land not only in Malaysia, but beyond its shores.

Is there any potential acquisition identified currently?

FEHB is always looking for opportunities to venture not only in the State of Pahang but also outside Malaysia. Currently we are in the process of applying for oil palm land with Pahang State Government and as it is still at an early stage, we are not able to disclose any further information.

3. As reported in the Group Executive Chairman's Statement, currently, one of the Group's mills and two of its estates had been awarded with Certification of Compliance to the Malaysian Palm Oil Board Code of Practices.

Would the Board pursue the certification for other estates and mills? What is the estimated timeframe for the Group to achieve the full certification?

For now onwards, we are concentrating for the Malaysian Sustainable Palm Oil (MSPO) certification. In fact, we are in the process of doing so for the Head Office and the following estates:-

No.	Estate	Location	Scope Of Certification
1	FEHB Head Office	Kuantan	Head Office
2	Kampong Aur Oil Palm Company (Sdn.) Berhad	Keratong	Oil Palm Plantation
3	Dawn Oil Palm Plantations Sdn Bhd (Dawn Estate)	Keratong	Oil Palm Plantation
4	Dawn Oil Palm Plantations Sdn Bhd (Cempaka Estate)	Keratong	Oil Palm Plantation
5	B.S. Oil Palm Plantations Sdn Bhd	Keratong	Oil Palm Plantation
6	Far East Holdings Berhad (Sg Seraya Estate)	Keratong	Oil Palm Plantation

The MSPO certification would be done in stages and we estimate that the full MSPO certification of the Group would be completed in year 2018.

4. Note 30 to the Financial Statements on Material Litigation reported a pending legal case between FEHB and Kampong Aur Oil Palm Company (Sdn.) Berhad (KAOP) and Majlis Ugama Islam dan Adat Resam Melayu Pahang.

- (a) What was the accumulated legal fees incurred to-date and the amount expected to be incurred in the coming years? Was the expected amount provided in the accounts for FY2015?

The total accumulated legal fees including GST and disbursements incurred to date was RM1.5 million in respect of proceedings conducted by the Arbitration, High Court, Court of Appeal and the leave applications in the Federal Court.

Barring unforeseen circumstances, we estimate the additional legal fees for the Federal Court would not exceed RM500,000. The expected amount had not been provided in the Financial Year 2015 as the Federal Court had only granted leave to appeal for the leave applications on 28 3 2016.

- (b) What was the advice from the Company's solicitors on the probable outcome of the Court's decision?

The Federal Court had on 28.3.2016 granted leave to appeal for all the above leave applications filed by FEHB, KAOP and MUIP

The solicitors are of the view, amongst others:-

FEHB & KAOP's Appeals

If the Federal Court agrees with FEHB and KAOP that the approach and test applied by the High Court and the Court of Appeal are wrong, then FEHB and KAOP would have a reasonable chance of succeeding as there are indeed errors of law committed by the Arbitrator which had substantially affected the rights of FEHB and KAOP.

MUIP's Appeal

It is arguable that the decision of the Arbitrator to award interest is wrong when such relief has not been specifically pleaded though there are cases in the past which had decided otherwise.

- (c) Could the Board share with the shareholders the estimated financial impact on the Group in the event the decision is not in favour of the Company?

The financial impact on the above decision could not be finalised as the Board is disputing the decision and the amount awarded by the Court of Appeal.

Corporate Governance

1. In accordance with the Recommendation 2.2 of the MCCG2012 (the Code), the Board should explicitly disclose in the annual report its gender diversity policies and targets and the measures taken to meet those targets. Also, under Chapter 15, Section 15.08A, Part 3 of the Main Market Listing Requirements, the Company must provide, in its Annual Report, a statement about the activities of the Nominating Committee in discharging its duties for the financial year which should include a policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity). In this respect, we noticed that the Board has addressed the board composition in the areas of mix of skills and independence but there was no disclosure on the policy for gender diversity.

We hope the Board would look into this disclosure as required under MCCG 2012 and the Main Market Listing Requirements in the future Annual Reports.

The Board took note recommendation by MSWG on the disclosure of gender diversity's policy of the Company in future Annual Reports.

2. To publish the Company's Memorandum and Articles of Association ("M & A") on the Company's website for the benefits of all shareholders.

The Board would consider the MSWG's recommendation to publish the Company's Memorandum and Articles of Association on the Company's website.