

**MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG)
41st Annual General Meeting of Far East Holdings Berhad (“FEHB”)**

Strategic/Financials

1. The Chairman’s Statement reported that the Group’s performance and results for the year under review were commendable despite the challenging fluctuations in the crude palm oil prices. The Group’s total planted area has increased to 21,239 hectares with matured area of 18,106 hectares or 85% of the total planted area, increased from 16,927 hectares in 2013.

(a) Would there be any strategic plans to expand and diversify the Group’s earnings base of sustainable performance and future direction of the Company and the Group?

Answer:-

The Group is focused in the oil palm plantations and its downstream operations i.e. palm oil milling, palm oil and glycerine refining as well as biodiesel production. In the short term, FEHB wants to grow its plantations, optimize production and establish more efficient management practices. While FEHB already has a strong regional presence, in the long term the Group aspires to grow into a respectable national player with more extensive upstream and downstream businesses.

As a largely upstream player, expanding the Group involve either expanding its land area for plantations or optimizing productivity from the existing plantations area.

It is the Board’s agenda to ensure that FEHB becomes a big-league plantation player, sharing ranks with the industry players such as IOI, KLK or Sime Darby with vertical diversification into more upstream and downstream businesses.

- (b) What are the Board's measures to sustain higher production and CPO yield given that the age profile of the planted area has 5,879 hectares of old oil palms reaching 19 years and above?

Answer:-

In order to sustain production, FEHB adopts best agronomic practice, optimize productivity from the existing plantations and establish more efficient management practices. A continuous effort has been made to ensure that Good Agricultural Practices are adopted in all stages of plantation operations with holistic approach of optimal manuring and minimal chemical use.

With the continuous new/replanting programme currently in place, the Group should be able to maintain and increase the FFB production.

2. In Note 26 of the Financial Statements on page 105 of the Annual Report, it was stated that the Company has allocated RM40 million for the acquisition of land.

Would the Board formulate a more aggressive replanting programme policy in view of its plan to acquire more plantation land bank?

Answer:-

The Board will still adopt the existing policy of the replanting program. However the replanting program to be carried out subject to the availability of the fund.

The replanting policies adopt by the Group are as below:-

- (i) Age palm more than 25 years, if the palms are not producing good yield;*
- (ii) Height - 35 feet tall and if the palms cannot be harvested.*
- (iii) Yield - less than 18 tonnes / ha / annum. Yield profile is the decisive factor in the most areas replanted. The palm yield dropped not just due to the age but due to the palm height that hampers any harvesting effort.*

3. What is the status of the Company's readiness for the Malaysian Sustainable Palm Oil (MSOP) and the International Sustainability & Carbon Certification (ISCC)?

Answer:-

The Company's processes, procedures, human resources and infrastructures are already in place. This is in view of our MPOB-COP certification process that we had obtained since 2009. For ISCC (International Sustainability and Carbon Certification), the Group estates namely Sg Seraya estate, Bukit Serok estate, Cempaka estate, Dawn estate, Kampong Aur estate, our subsidiary i.e. Kilang Kosfarm Sdn Bhd and our associate company, Future Prelude Sdn Bhd had been certified under the ISCC.

Currently the estates' workers are trained on regular basis to perform the estate's operations based on the procedures as per MPOB and ISCC guidelines. The Committees are also formed for continuous monitoring to ensure that the procedures and guidelines are adhered at every level of operations.

4. Material litigation reported under Note 30 on pages 116-120 of the Annual Report represents a High Court case between FEHB and Kampong Aur Oil Palm Company (Sdn.) Berhad ("KAOP") as Plaintiffs and Majlis Ugama Islam dan Adat Resam Melayu Pahang as Defendant since 2012.

Could the Board enlighten the shareholders the nature of this High Court and why has the outcome of this case not resolved after the appeals were heard on 12 January 2015.

Answer:-

Originating Summon

On 29 September 2006, the Company had received summon from MUIP against the Company and its subsidiary KAOP. Details of the summons are as per Attachment I.

Arbitration

The Kuala Lumpur Regional Centre for Arbitration had appointed Haji Mohd Rasheed Khan bin Mohd Idris of Messrs Azmi and Associates as an Arbitrator for the case. The Arbitration Proceedings commenced for the period from March 2011 to March 2012.

Final Award - Arbitration

*The Company had received the Final Award (Ground of Judgment) dated **19 September 2012** and Corrective Award dated 11 October 2012 from the Arbitrator. The detail Final Award is as per Note 30 (page 117 – 118) of the Annual Report 2014.*

High Court

*FEHB and KAOP had referred the Final Award to the High Court under Section 42, 37 and 30 of the Arbitration Act 2005 and Originating Summons had been **filed by FEHB and KAOP on 6 November 2012** in the High Court Kuala Lumpur against MUIP.*

*MUIP had also filed an Originating Summon on **12 November 2012** in the High Court Kuala Lumpur against FEHB and KAOP. The High Court hearings were held from May 2013 to September 2013.*

Judgment - High Court

*The Judgment of Judicial Review was delivered on **21 November 2013** in relation to the Final Award by the Arbitrator. The detail Judgment is as per Note 30 (page 119) of the Annual Report 2014.*

Court of Appeal

*FEHB and KAOP filed a notice of appeal on **3 December 2013** to the Court of Appeal against the Judgment and Orders by the High Court.*

*MUIP had also filed a notice of appeal on **19 December 2013** to the Court of Appeal against part of the decision of the Judgment and Orders by the High Court.*

Current Status

As stated in Note 30 (page 120), the above appeals were heard by the Court of Appeal on 12 January 2015. Until to date the Court of Appeal registry has not issued any notice for the decision of the above appeals.

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. Under Chapter 15, Section 15.25 Part 2(a) and (b) of the Main Market Listing Requirements, the Company must include how it has applied the Principles set out in the Code to its particular circumstances, having regard to the Recommendations stated under each principle and any Recommendation which the Company has not followed, together with the reasons for not following it and the alternatives adopted by the listed issuer, if any. In this respect, we do not see any explanation with regard to the compliance with gender diversity.

Answer:-

We take note of the Malaysian Code of Corporate Governance 2012 on the gender diversity. As at now, the Board is comfortable and confident with the current Board members. However, the Board through the Nominating Committee would look for a potential woman candidate who has an experience and skills that would contribute to the Company.

We take note of the disclosure highlighted by MSWG.

2. The Directors' Remuneration disclosed on page 44 of the Annual Report showed that both Executive Directors and Non-Executive Directors were being paid salaries and other fees.

What was the rationale and justification for the payment of salaries and other fees to Non-Executive Directors?

Answer:-

Only Executive Directors were paid salaries and other fees whereby only Directors fees were paid to the Non-Executive Directors. Salaries to Non-Executive Directors refer to the allowances given.

3. The Board is led by an Executive Chairman appointed since 16 August 2002. He is the Chairman of Remuneration Committee and Nomination Committee respectively.

Has the Board any plan to transform the board composition given that one independent Director is not seeking for re-election at the AGM and the Board has no senior Independent Director but with less 50% of Independent Directors on the Board?

Answer:-

We would like to inform that the designation of the Executive Chairman was made on 1 January 2015 and re-designation to Group Executive Chairman was made on 19 May 2015.

In view of retirement of En Khairul Azahar bin Ariffin, the Board would comply with the requirements of Independent Director as per Bursa Main Listing Requirements and the replacement would be made in due time.

Currently, the Board is comfortable and confident with the current Board members with a synergistic mixture of businessmen, planters, professionals and technical experts. Hence the Board currently does not have any plan to transform the Board's composition.