



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest



23 May 2018

BY FAX/EMAIL

(Fax No: 609-513 6211)

The Board of Directors
Far East Holdings Berhad
Level 23, Menara Zenith
Jalan Putra Square 6
25200 Kuantan
Pahang Darul Makmur

Attention: Puan Asmin Binti Yahya
Puan Noor Anisah Binti Sabarudin
Company Secretaries

Dear Sir,

Re: 44th Annual General Meeting (AGM) of Far East Holdings Berhad ("The Company" or "FEHB") on 30 May 2018

In the interest of minority shareholders and all other stakeholders of the Group and the Company, we would like to raise the following issues at the 44th Annual General Meeting of Far East Holdings Berhad:

Strategy/Financial

1. As reported in the Management Discussion and Analysis (MD&A) on page 35 of the Annual Report, the Group sells CPO using the MPOB's average price mechanism and long term contract price.
 - (a) What is the percentage of the sales using the MPOB's average price mechanism and long term contract price?
 - (b) What is the average contract period for sales under long term contract price?
2. As reported in the MD&A on page 36 of the Annual Report, the Group's average FFB and CPO production cost for FY2017 was 15% and 7% lower than FY2016. The Group is positive that the cost is expected to be lower in the coming years.

What is the targeted production cost of FFB and CPO to be achieved by the Group, moving forward?

3. Note 15 to the Financial statements on page 91 of the Annual Report showed that the inventories for finished goods and raw material as at 31 December 2017 was RM9.790 million, which was significantly higher than the amount of RM3.043 million recorded at 31 December 2016.

What is the reason for the high amount of inventories as at 31 December 2017 and what is the amount sold to-date?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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4. The deposits disclosed in Note 16 to the Financial Statements on page 91 of the Annual Report includes a deposit of RM36.223 million paid for the proposed purchase of a new estate.
- (a) Please provide the details of the estate, including the hectarage, location, palms planted, etc in the proposed purchase.
 - (b) When will the proposed purchase expected to be completed?
 - (c) Will the estate expected to contribute to the profit of the Group in FY2018?

Corporate Governance

1. The Company has issued and announced its Annual Report 2017 on the Bursa Securities' website on 27 April 2018. However, the Corporate Governance Report (CG Report) was only issued and announced on 18 May 2018.

Paragraph 1.1(b) of the Practice Note 9 requires the Company to announce the CG Report together with the announcement of the annual report.

Please take note of this.

2. Practice 3.1 of the Malaysian Code On Corporate Governance (MCCG) requires the Board to establish a Code of Conduct and Ethics for the Company which should articulate acceptable practices and guide the behavior of **directors, management and employees** in accordance with Guidance 3.1 of the Code. As reported in the CG Report, the Directors are guided by the code of Ethics stipulated in the Board Charter.

Has the Board established a Code of Conduct & Ethics to articulate acceptable practice and guide the behavior of management and employees?

3. The Company in its Corporate Governance Report stated that it has adopted Step Up Practice 4.3 of the MCCG which requires the Board to have a 9-year tenure limit policy for its independent directors.

In Paragraph 2.1(a) of the Company's Board Charter, it is stated that "the tenure for an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the 9 years, an Independent Director may continue to serve the Board subject to the Director's re-designation as non-independent director. Otherwise the Board must justify and seek shareholders' approval at the Annual General Meeting in the event it retains the director as an Independent Director". This is contrary to Step Up Practice 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs.

We hope the Board will take note of this.



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4. The Company in its explanation on application of Step Up Practice 9.3 stated that the Risk Management Committee of the Company comprises of Board members and Senior Management.

Who are the board members in the Risk Management Committee?

5. The company in its Corporate Governance Report stated that it has applied Practice 11.2 which encourages large companies to adopt integrating reporting. The Explanation on the application stated that the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016.

We would like to highlight that financial statements that are prepared in accordance with the applicable approved accounting standards and the Companies Act 2016 should not be regarded as integrated report. Integrated reporting format should be based on the framework developed by the International Integrating Reporting Council (IIRC).

6. The Company in its Corporate Governance Report has stated that it has applied Practice 12.3 of MCCG. Practice 12.3 refers to facilitating or providing platform for shareholders to vote and participate at the General Meeting without being physically present at the Company's AGM. Based on the Company's explanation that "The Company holds its General Meetings in Kuantan, Pahang at a centrally accessible location. Adequate notice of meetings is given to all shareholders and shareholders who are unable to make the journey and attend the General Meeting may submit the proxy forms to the Company to enable their proxy to attend, participate, speak and to vote on their behalf at the General Meetings. Shareholders can also submit any question or query prior to the General Meetings." given on the application of Practice 12.3, we wish to highlight that the Company has not applied the Practice.

We hope the Company will take note of this.

We would appreciate if the Board could present the points raised here, and their related answers, for 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 benefits of all stakeholders.

Thank you.

Yours sincerely



NYA RAHMAN
General Manager

LR/LH/FEHB/AGM2018