



Far East Holdings Berhad
(14809-W)

SUSTAINABLE GROWTH

Annual Report 2016





SHARE PRICE

RM 8.55

*(Price as at 29 March 2017)
(Price as at 31 December 2016 was RM8.20)
(Source: Bursa Market Watch)*

EARNINGS PER SHARE

85.50 Sen



REVENUE

**RM 357.16
Million**

PROFIT BEFORE TAX

**RM 150.60
Million**

KEY INDICATORS

As at 31 December 2016



SHAREHOLDERS' EQUITY

**RM 1,328.97
Million**

MARKET CAPITALISATION

RM 1.11 Billion



NET TANGIBLE ASSET PER SHARE

RM 9.40

DIVIDEND PER SHARE

35 Sen

43rd

ANNUAL GENERAL MEETING



The Zenith Hotel
Jalan Putra Square 6
25200 Kuantan
Pahang Darul Makmur



24 May 2017, Wednesday



10.00 a.m.

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NOTICE OF ANNUAL GENERAL MEETING

43rd

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT

the 43rd Annual General Meeting of **FAR EAST HOLDINGS BERHAD** (“the Company”) will be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on Wednesday, 24 May 2017 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive the Audited Reports and Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of a final single tier dividend of 20 sen per share and special single tier dividend of 5 sen per share in respect of the financial year ended 31 December 2016 as recommended by Directors.
3. To re-elect the following Directors who retire pursuant to Article 97 of the Company’s Article of Association:-
 - i. YHDato’ Sri Kamaruddin bin Mohammed
 - ii. Mr Tee Kim Tee @ Tee Ching Tee
 - iii. Mr Tee Cheng Hua
4. To approve the payment of Directors’ fees of RM710,000 for the financial year ended 31 December 2016 (2015: RM668,767).
5. To re-appoint Messrs McMillan Woods Thomas as auditors for the coming year and to authorise the Directors to fix their remuneration.

Please refer to Note A

Ordinary Resolution 1

Ordinary Resolution 2
Ordinary Resolution 3
Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

As Special Business

To consider and, if thought fit, to pass the following resolution:-

6. Proposed Renewal of Shareholders’ Mandate In Respect of Recurrent Related Party Transactions of a Revenue or Trading Nature.

Ordinary Resolution 7

“That the mandate granted by the shareholders of the Company on 25 May 2016 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company to enter into recurrent transactions of a revenue nature as set in paragraph 2.1 of the Circular to Shareholders dated 25 April 2017 (“Circular”) with the related parties mentioned therein which are necessary for the Company’s day to day operations, be and is hereby renewed.

That the Company is hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and the Board will seek shareholders' approval for the renewal of the proposed Shareholders' Mandate annually subject to satisfactory review by the Audit Committee of its continued application to the interested parties transaction. In this respect, if approved at the forthcoming Annual General Meeting such mandate shall continue in force until:-

- a. the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed;
- b. the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340 of the Act); or
- c. revoked or varied by resolution passed by the shareholders in a general meeting, whichever is earlier; and

That the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

7. To transact any other ordinary business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 20 sen per share and special single tier of 5 sen per share for the financial year ended 31 December 2016 if approved by the shareholders at the Annual General Meeting will be paid on 16 June 2017 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 May 2017.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 29 May 2017 (in respect of share which are exempted from mandatory deposit); and
- b. Shares transferred into Depositor's Securities Account before 4.00 p.m. on 31 May 2017 (in respect of ordinary shares).

By Order of the Board

ASMIN BINTI YAHYA (MIA 10161)

NOOR ANISAH BINTI SABARUDIN (LS 0008153)

Company Secretaries
Kuantan, Pahang

Date: 25 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes On Proxy

1. Depositors who appear in the Record of Depositors as at 18 May 2017 (which is not less than three (3) market days before the date of this meeting) shall be regarded as member of the Company entitled to attend at the 43rd Annual General Meeting or appoint a proxy or proxies to attend and vote on his behalf.
2. To be valid, the duly completed form of proxy must be deposited at the registered office of the Company, Suite 5 & 6, Tingkat 8, Kompleks Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur, not less than 48 hours before the time for holding the meeting.
3. A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
6. If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiples beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. Where an authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolution set out in this notice shall be put to vote by poll.
10. Voting right of shareholders. Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

Explanatory Notes on

Ordinary Business - Note A

This agenda item is meant for discussion only as the provision of Section 340 (1) of the Companies Act, 2016 does not require a formal approval by the members and hence, is not put forward for voting.

Special Business

Ordinary Resolution 7

Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of A Revenue Nature

This proposed Resolution 7, if passed, will enable the Company to enter into recurrent related party transactions involving related parties which are of a revenue nature and necessary for the Group's day-to-day operations, subject to transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company. For further information, please refer to the Circular to Shareholders' dated 25 April 2017 accompanying the Company's Annual Report for the financial year ended 31 December 2016.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Names of Retiring Directors:

Article 97 of the Company's Articles of Association

- i. YH Dato' Sri Kamaruddin bin Mohammed
- ii. Mr Tee Kim Tee @ Tee Ching Tee
- iii. Mr Tee Cheng Hua

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' profiles (pages 12 to 20 of the Annual Report); while their securities holdings (where applicable) are set out in the Analysis of Shareholdings - Directors' Interests in the Company and Related Corporations (pages 114 of the Annual Report).

Place, date and time of the 43rd Annual General Meeting:

The 43rd Annual General Meeting of the Company will be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on Wednesday, 24 May 2017 at 10.00 a.m.

Details of Attendance of Directors at Board Meetings:

A total of Seven (7) Board Meetings were held during the financial year ended 31 December 2016. Details of attendance of Directors holding office at the end of financial year are as follows:-

Name	Meeting Attendance	Date Appointed
YH Dato' Sri Kamaruddin bin Mohammed	7/7	16/08/2002
YH Dato' Wan Bakri bin Wan Ismail	7/7	17/03/2014
YH Dato' Tan Bing Hua	7/7	23/07/2012
YH Dato' Jamaluddin bin Abd Majid	7/7	08/07/2015
Mr Tee Kim Tee @ Tee Ching Tee	7/7	16/08/2002
Mr Tee Cheng Hua	7/7	16/08/2002
En Hashim Naina Merican bin Yahaya Merican	7/7	13/08/2009
Mr Tee Lip Teng	7/7	23/07/2012
En Nik Mohamed Zaki bin Nik Yusoff	7/7	08/07/2015



CORPORATE INFORMATION

BOARD OF DIRECTORS

**YH Dato' Sri Kamaruddin
bin Mohammed**

*Group Executive Chairman
Non-Independent, Executive Director*

**YH Dato' Wan Bakri
bin Wan Ismail**

*Non-Independent,
Non-Executive Director*

YH Dato' Tan Bing Hua

*Independent,
Non-Executive Director*

**YH Dato' Jamaluddin
bin Abd Majid**

*Non-Independent,
Non-Executive Director*

Mr Tee Kim Tee @ Tee Ching Tee

*Non-Independent,
Non-Executive Director*

Mr Tee Cheng Hua

*Non-Independent,
Executive Director*

**En Hashim Naina Merican
bin Yahaya Merican**

*Independent,
Non-Executive Director*
(Responsible For Investor Relations)
Tel : 09-514 1936 / 948 / 339
Fax : 09-513 6211
Email: hashimmerican@fareh.po.my

Mr Tee Lip Teng

*Non-Independent,
Non-Executive Director*

**En Nik Mohamed Zaki
bin Nik Yusoff**

*Independent,
Non-Executive Director*

SECRETARIES

Puan Asmin binti Yahya
MIA10161

Puan Noor Anisah binti Sabarudin
LS0008153

Tel : 09-514 1936 / 948 / 339
Fax : 09-513 6211
Website : www.fehb.com.my
Email : fareast@fareh.po.my

STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad
Main Market**
(Listing Date: 31.01.1991)

REGISTERED ADDRESS

Suite 5 & 6, Tingkat 8
Kompleks Teruntum
Jalan Mahkota
25000 Kuantan
Pahang Darul Makmur
Tel : 09-514 1936 / 948 / 339
Fax : 09-513 6211
Website: www.fehb.com.my
Email : fareast@fareh.po.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7849 0777
Fax : 03-7841 8151 / 52
Email : ssrhelpdesk@symphony.com.my

MAJOR BANKERS

CIMB Bank Berhad
Lot G-01, Kompleks Teruntum
Jalan Mahkota, 25000 Kuantan
Pahang Darul Makmur

CIMB Bank Berhad
A1, Lorong Tun Ismail 9
Sri Dagangan 2, 25000 Kuantan
Pahang Darul Makmur

Bank Islam (Malaysia) Berhad
No G-05, G-06 & G-07 (Ground Floor)
& No 1-05, 1-06 & 1-07 (First Floor)
Mahkota Square
Jalan Mahkota, 25000 Kuantan
Pahang Darul Makmur

SENIOR MANAGEMENT TEAM

**YH Dato' Sri Kamaruddin
bin Mohammed**
Group Executive Chairman

Mr Tee Cheng Hua
Executive Director, Plantations

Puan Asmin binti Yahya
General Manager

Encik Nazaruddin bin Hasim
Senior Regional Manager, Zone B

Encik Adnan bin Mustafa
Senior Regional Manager, Zone A

Puan Noor Anisah binti Sabarudin
*Manager, Secretarial &
Corporate Affairs*

Encik Zahari bin Jaafar
Manager, Internal Audit

Puan Rosliha binti Husin
Manager, Finance

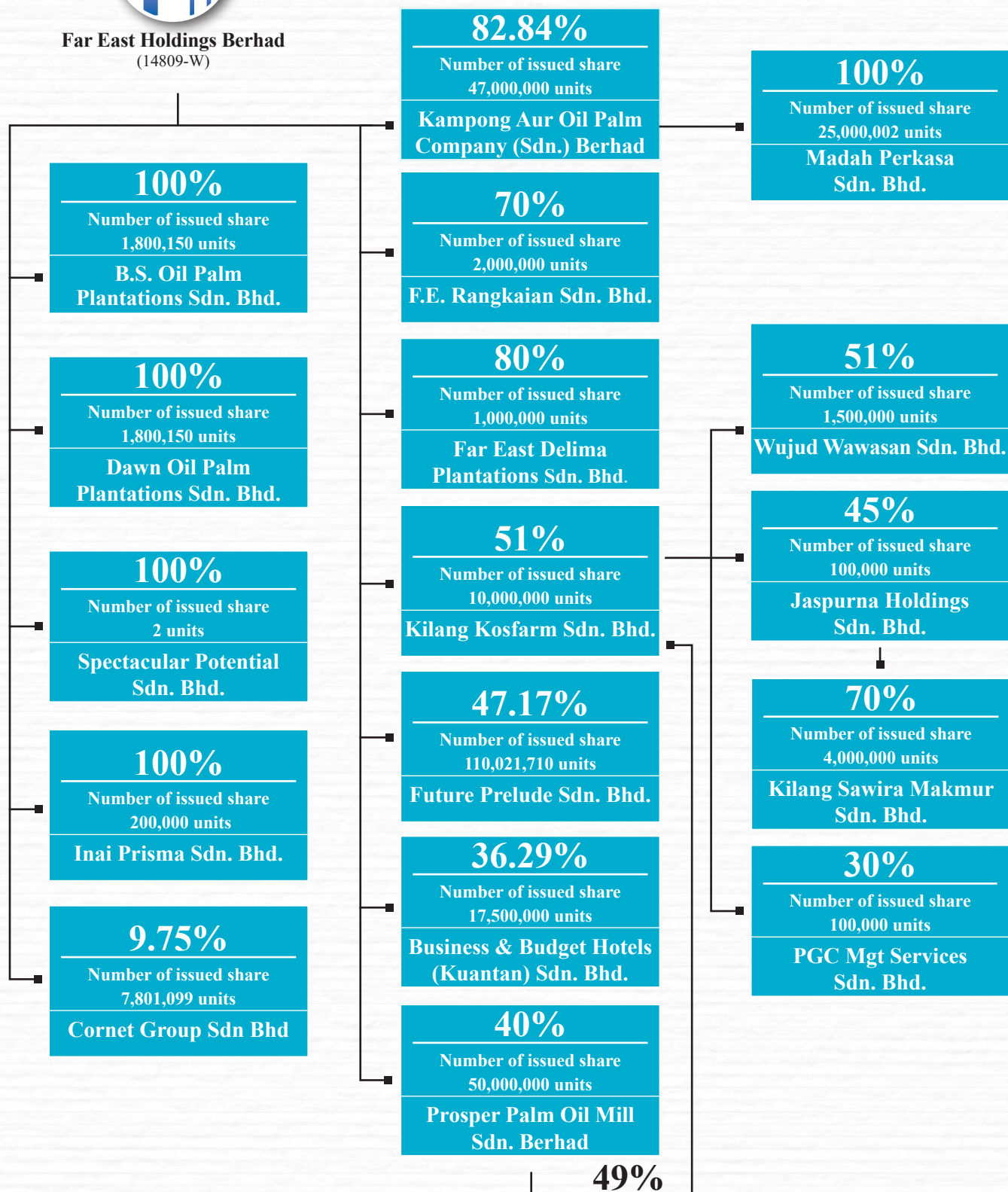
LOCATION OF OPERATIONS



CORPORATE STRUCTURE

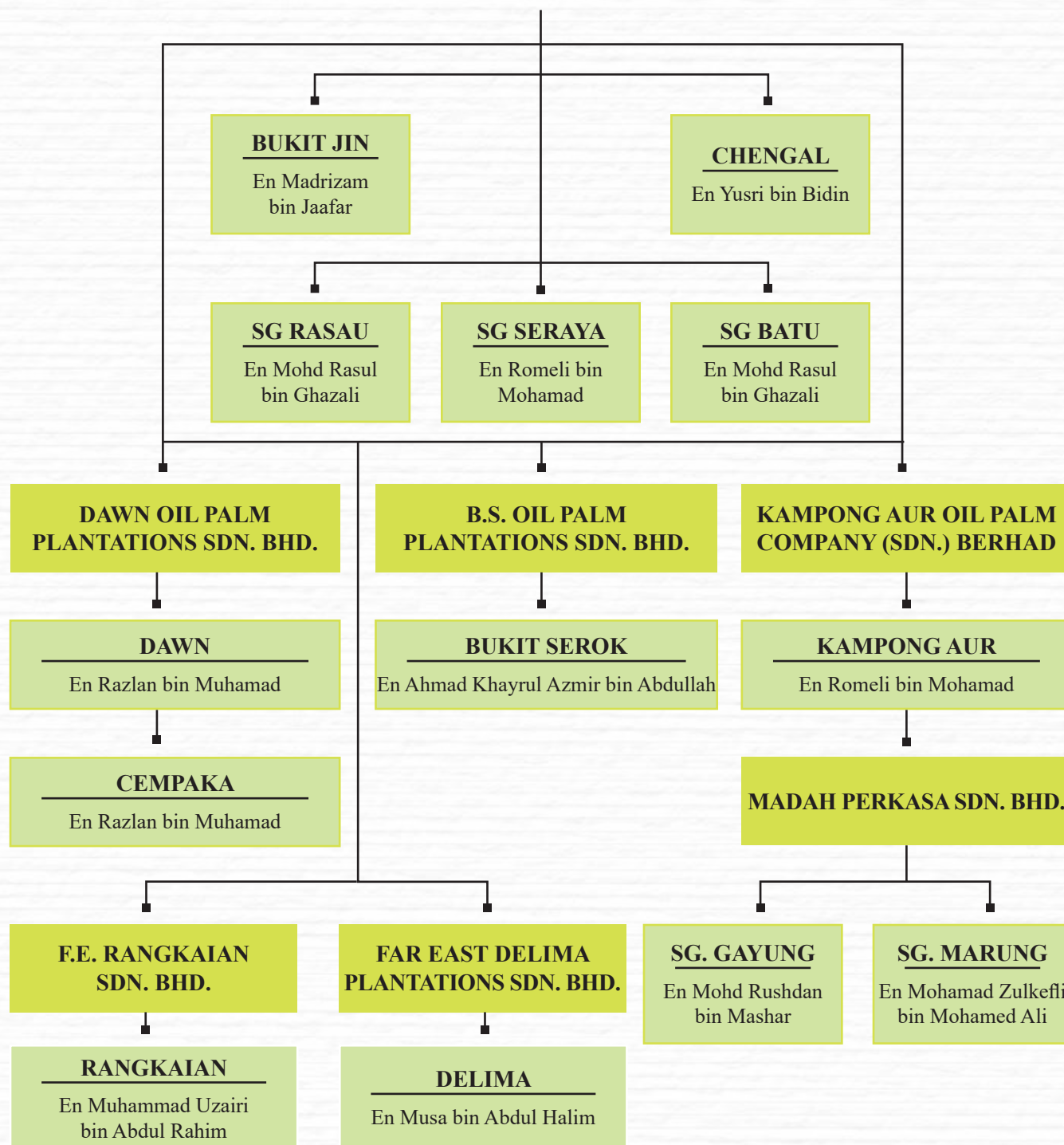


Far East Holdings Berhad
(14809-W)





Far East Holdings Berhad
(14809-W)



BOARD OF DIRECTORS



YH DATO' SRI KAMARUDDIN BIN MOHAMMED

Group Executive Chairman
Non-Independent, Executive Director

**YH DATO' WAN BAKRI
BIN WAN ISMAIL**

Non-Independent,
Non-Executive Director



**MR TEE KIM TEE @
TEE CHING TEE**

Non-Independent,
Non-Executive Director



MR TEE CHENG HUA

Non-Independent,
Executive Director



**EN HASHIM NAINA
MERICAN BIN YAHAYA
MERICAN**

Independent,
Non- Executive Director



**YH DATO'
TAN BING HUA**

Independent,
Non-Executive Director



**YH DATO' JAMALUDDIN
BIN ABD MAJID**

Non-Independent,
Non-Executive Director



MR TEE LIP TENG

Non-Independent,
Non-Executive Director



**EN NIK MOHAMED
ZAKI BIN NIK YUSOFF**

Independent,
Non-Executive Director



DIRECTORS' PROFILE

YH DATO' SRI KAMARUDDIN BIN MOHAMMED

SSAP, DSAP, DIMP, SF Fin (Aust)

Age

68

Gender

Male

Nationality

Malaysian

Qualification

- A Business graduate from MARA College (UiTM).
- Professional graduate in Investment Analysis from the Securities Institute of Australia, Sydney, Australia.
- A Fellow Member of The Securities Institute of Australia (FSIA).
- Management graduate from the Asian Institute of Management, Manila, Philippines.
- A Senior Fellow of the Financial Services Institute of Australasia (SF Fin).

Position on the FEHB Board

- Group Executive Chairman
Non-Independent, Executive Director

Date first appointment to the FEHB Board

16 August 2002

Membership of FEHB Board Committees

Chairman of Remuneration Committee

Working experience

- Vast experience in Investment & Financial Management, Corporate Restructuring and Management. Worked over 40 years in ASMB (currently known as Pelaburan MARA Berhad - PMB).
- Group Executive Director of ASMB (PMB) from January 1991 to November 1995.
- Group Chief Executive Officer and Group Managing Director of ASMB (PMB) from December 1995 until April 2008.
- Deputy Chairman cum Advisor of ASMB (PMB) from May 2008 to 30 April 2010.

Any other directorships in public companies

- Pascorp Paper Industries Berhad
- Amanah Saham Pahang Berhad

Securities holdings in FEHB and subsidiaries

- Direct - 2,700,000 units
- Indirect - 600,000 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

YH DATO' WAN BAKRI BIN WAN ISMAIL

DSAP, DIMP, AMP, PKT

Age

62

Gender

Male

Nationality

Malaysian

Qualification

Bachelor of Social Science (Hons) majoring in Political Science from University Science Malaysia in 1994.

Position on the FEHB Board

Non-Independent, Non-Executive Director

Date first appointment to the FEHB Board

17 March 2014

Membership of FEHB Board Committees

None

Working experience

- Started his career with Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang in 1969 [currently known as Perbadanan Kemajuan Pertanian Pahang (PKPP)].
- He sits on the Board of Tanah Makmur Berhad and in a few private limited companies.
- He is currently the Chief Executive Officer of PKPP.

Any other directorships in public companies

- Tanah Makmur Berhad
- Astral Asia Berhad

Securities holdings in FEHB and subsidiaries

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

DIRECTORS' PROFILE

MR TEE KIM TEE @ TEE CHING TEE

Age

68

Gender

Male

Nationality

Malaysian

Position on the FEHB Board

Non-Independent, Non-Executive Director

Date first appointment to the FEHB Board

16 August 2002

Membership of FEHB Board Committees

- Member of Remuneration Committee
- Member of Nomination Committee

Working experience

- Started his career 46 years ago as an estate contractor and FFB dealer.
- He has been involved in palm oil plantations management, palm oil milling and refinery business both as an owner as well as operator over the last 40 years.
- Vast experience in managing palm oil estates.

Any other directorships in public companies

Nil

Securities holdings in FEHB and subsidiaries

Direct - 4,755,900 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

He is the elder brother of Mr Tee Cheng Hua and an uncle of Mr Tee Lip Teng.

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

YH DATO' TAN BING HUA

DIMP

Age

72

Gender

Male

Nationality

Malaysian

Qualification

- B.A (Hons) degree from the University of Malaya.
- LL.B (Hons) degree from the University of London.
- Barrister-at-Law from Lincoln's Inn, England.

Position on the FEHB Board

Independent, Non-Executive Director

Date first appointment to the FEHB Board

23 July 2012

Membership of FEHB Board Committees

- Chairman of Nomination Committee
- Member of Audit Committee

Working experience

- Started his career with Bank Negara Malaysia from 1969 to 1982.
- He practised law at Amin-Tan & Co in Kuala Lumpur from 1987 to 2012.

Any other directorships in public companies

Hua Yang Berhad

Securities holdings in FEHB and subsidiaries

Indirect - 44,000 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

DIRECTORS' PROFILE

YH DATO' JAMALUDDIN BIN ABD MAJID

DPSK, DSAP, DIMP, PSPP, JMN, SMS

Age

62

Gender

Male

Nationality

Malaysian

Qualification

- Bachelor of Mass Communication at Mara Institute of Technology.
- Post Graduate Diploma in Human Resources at University Kebangsaan Malaysia.

Position on the FEHB Board

Non-Independent, Non-Executive Director

Date first appointment to the FEHB Board

8 July 2015

Membership of FEHB Board Committees

Member of Audit Committee

Working experience

He served with the Royal Malaysia Police Force from 1975 in various departments until his retirement in 2014, the last post held being Deputy Chief Police Officer of Pahang.

Any other directorships in public companies

KOP Mantap Berhad

Securities holdings in FEHB and subsidiaries

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

MR TEE CHENG HUA

Age

62

Gender

Male

Nationality

Malaysian

Qualification

Bachelor of Mechanical Engineering from University Technology Malaysia.

Position on the FEHB Board

Non Independent, Executive Director

Date first appointment to the FEHB Board

16 August 2002

Membership of FEHB Board Committees

None

Working experience

- Engineer with Highlands and Lowlands Bhd.
- Mill Manager/Engineer with Kulim (M) Bhd.
- He is at present the Executive Director of Prosper Group of Companies.

Any other directorships in public companies

Nil

Securities holdings in FEHB and subsidiaries

Direct - 2,124,000 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

He is the younger brother of Mr Tee Kim Tee @ Tee Ching Tee and the father of Mr Tee Lip Teng.

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

DIRECTORS' PROFILE

ENCIK HASHIM NAINA MERICAN BIN YAHAYA MERICAN

Age

66

Gender

Male

Nationality

Malaysian

Qualification

- He graduated from Mara Institute of Technology after successfully completing the professional examinations of the Association of Certified Accountants (UK) in 1974.
- He is also a member of the Malaysian Institute of Accountants.

Position on the FEHB Board

Independent, Non-Executive Director

Date first appointment to the FEHB Board

13 August 2009

Membership of FEHB Board Committees

- Chairman of Audit Committee
- Member of Nomination Committee

Working experience

- He started his career as an auditor in 1974 at Price WaterhouseCoopers (formerly known as Coopers & Lybrand).
- He joined Malaysian Oxygen Berhad in 1977 as Internal Auditor.
- He served as Administrative Manager at Hewlett Packard Sales Malaysia Sdn Bhd from 1979 to 1987.
- He joined Rashid Hussein Securities Sdn Bhd as a Dealer Representative in 1987.
- Currently he is a Dealer Representative with TA Securities Holdings.

Any other directorships in public companies

Nil

Securities holdings in FEHB and subsidiaries

Direct - 10,000 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

MR TEE LIP TENG

Age

33

Gender

Male

Nationality

Malaysian

Qualification

Master of Electronic and Electrical Engineering from University College London, United Kingdom.

Position on the FEHB Board

Non-Independent, Non-Executive Director

Date first appointment to the FEHB Board

23 July 2012

Membership of FEHB Board Committees

Member of Remuneration Committee

Working experience

- Electrical Engineer with Hoare Lea, United Kingdom.
- Director, Marketing & Business Development of Prosper Group since 2011.
- Currently he is also the Director of Prosper Palm Oil Product Marketing Sdn Bhd.
- He is also the Executive Director for Future Prelude Sdn Bhd.
- EXCO member of Malaysian Biodiesel Association (“MBA”) since 2015.

Any other directorships in public companies

Nil

Securities holdings in FEHB and subsidiaries

Direct - 300,000 units

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

He is the son of Mr Tee Cheng Hua and a nephew of Mr Tee Kim Tee @ Tee Ching Tee.

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

DIRECTORS' PROFILE

ENCIK NIK MOHAMED ZAKI BIN NIK YUSOFF

Age

54

Gender

Male

Nationality

Malaysian

Qualification

Bachelor of Commerce (Honours) from Carleton University Ottawa, Canada in 1985.

Position on the FEHB Board

Independent, Non-Executive Director

Date first appointment to the FEHB Board

8 July 2015

Membership of FEHB Board Committees

Member of Audit Committee

Working experience

- Started his career in 1986 in the banking sector at Pacific Bank Berhad and joined Affin Bank Bhd in 1989.
- He later furthered his career at Affin Hwang Investment Bank Bhd as Manager Corporate Banking in 1990 until 1994.
- He subsequently joined Pelaburan MARA Bhd where he was the Group Chief Executive Officer of Pelaburan MARA Bhd ("PMB") from 2008 to 2013 and also previously served as the Chief Executive Officer of the Group's Unit Trust and Fund Management subsidiary PMB Investment Bhd. He remains as a Board member and investment committee member todate.
- He is also attached to shariah based private equity firm Musharaka Venture Management Sdn Bhd on an advisory basis and serves on the Board of certain investee companies of Musharaka.

Any other directorships in public companies

PMB Investment Berhad

Securities holdings in FEHB and subsidiaries

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

Number of FEHB Board Meetings attended in the financial year

All seven meetings

SENIOR MANAGEMENT



**YH DATO SRI' KAMARUDDIN
BIN MOHAMMED**
Group Executive Chairman



MR TEE CHENG HUA
Executive Director, Plantations



PUAN ASMIN BINTI YAHYA
General Manager



**ENCIK NAZARUDDIN
BIN HASIM**
Senior Regional Manager, Zone B



ENCIK ADNAN BIN MUSTAFA
Senior Regional Manager, Zone A



**PUAN NOOR ANISAH
BINTI SABARUDIN**
Manager, Secretarial
& Corporate Affairs



ENCIK ZAHARI BIN JAAFAR
Manager, Internal Audit



PUAN ROSLIHA BINTI HUSIN
Manager, Finance

MANAGEMENT PROFILE

YH DATO' SRI KAMARUDDIN BIN MOHAMMED

SSAP, DSAP, DIMP, SF Fin (Aust)

Age

68

Gender

Male

Nationality

Malaysian

Position

Group Executive Chairman

Others Profile

- Dato' Sri Kamaruddin bin Mohamed was appointed as Group Executive Chairman of FEHB on 19 May 2015. He was the Chairman of FEHB since 2002 until redesignated as Group Executive Chairman in May 2015.
- His profile is listed in the Profile Director on page 12.

MR TEE CHENG HUA

Age

63

Gender

Male

Nationality

Malaysian

Position

Executive Director, Plantations

Others Profile

- Mr Tee Cheng Hua was appointed as an Executive Director, Plantations on 16 August 2002.
- His profile is listed in the Profile Director on page 17.

PUAN ASMIN BINTI YAHYA**Age**

48

Gender

Female

Nationality

Malaysian

Qualification

- Diploma in Accountancy, UiTM
- Advance Diploma in Accountancy, UiTM
- Member of Malaysian Institute Of Accountant (MIA)

Position

General Manager/Company Secretary

Date Appointed As Senior Management

01 December 1995

Working experience

- She was an external auditor with Messrs Ernst & Young (formally known as Messrs Arthur Anderson & Co) before joining Yayasan Pahang as an investment officer. Later on she was transferred to Sumber Perindu Sdn Bhd (currently known as YP Plantations Holdings Sdn Bhd) as the Group Accountant.
- She joined Far East Holdings Berhad in 1995. She has been FEHB's Group Accountant until her promotion as General Manager in 2010.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

EN ADNAN BIN MUSTAFA**Age**

53

Gender

Male

Nationality

Malaysian

Qualification

- Diploma in Agriculture, UPM, Sarawak Campus
- Bachelor in Science Agriculture, UPM Serdang

Position

Senior Regional Manager, Zone A

Date Appointed As Senior Management

1 March 2011

Working experience

He has vast experience in oil palm estate operation in various type of soil i.e. sandy, peat, marginal and various stages of oil palm cycle i.e. mature, immature, replanting and tall palm.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

EN NAZARUDDIN BIN HASIM

Age

45

Gender

Male

Nationality

Malaysian

Qualification

- Diploma in Agriculture, University Putra Malaysia
- Bachelor of Business Administration, UiTM

Position

Senior Regional Manager, Zone B

Date Appointed As Senior Management

1 January 2008

Working experience

Vast experience in estate operation since 1993. Specialise in oil palm operation and labour management.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

PUAN NOOR ANISAH BINTI SABARUDIN

Age

50

Gender

Female

Nationality

Malaysian

Qualification

Bachelor of Business Administration (Management and Marketing), Loyola University, New Orleans, Louisiana

Position

Manager, Secretarial and Corporate Affairs

Date Appointed As Senior Management

8 August 2002

Working experience

She has been with the Company since 1989 and being placed in various divisions at Head Office i.e. Plantations, General Manager, Admin & Human Resource. She was appointed as Secretary of the Company in 2002.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

EN ZAHARI BIN JAAFAR**Age**

46

Gender

Male

Nationality

Malaysian

Qualification

Diploma in Planting Industry Management, UiTM Perlis Branch

Position

Manager, Internal Audit

Date Appointed As Senior Management

1 May 2013

Working experience

He has been with FEHB since completed his study in 1991. He has been posted at the estate as well as attached to Head Office during his tenure with FEHB. Currently he is in charge of Internal Audit Department.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

Nil

PUAN ROSLIHA BINTI HUSIN**Age**

35

Gender

Female

Nationality

Malaysian

Qualification

- Bachelor of Accountancy (with Honours), UiTM Shah Alam
- Member of Malaysian Institute Of Accountant (MIA)

Position

Manager, Finance

Date Appointed As Senior Management

01 April 2010

Working experience

She was an External Auditor at Messrs Ernst & Young and Messrs Parker Randall Thomas for 5 years before she joined FEHB. She is in charge of Accounts Department.

Any other directorships in listed issuer and in public companies

Nil

Any family relationship with Director and/or Major Shareholder of FEHB or its subsidiaries

Nil

Other than traffic offences, list of conviction for offences within the past 5 years, if any and particular of sanctions and penalty imposed by relevant regulatory bodies

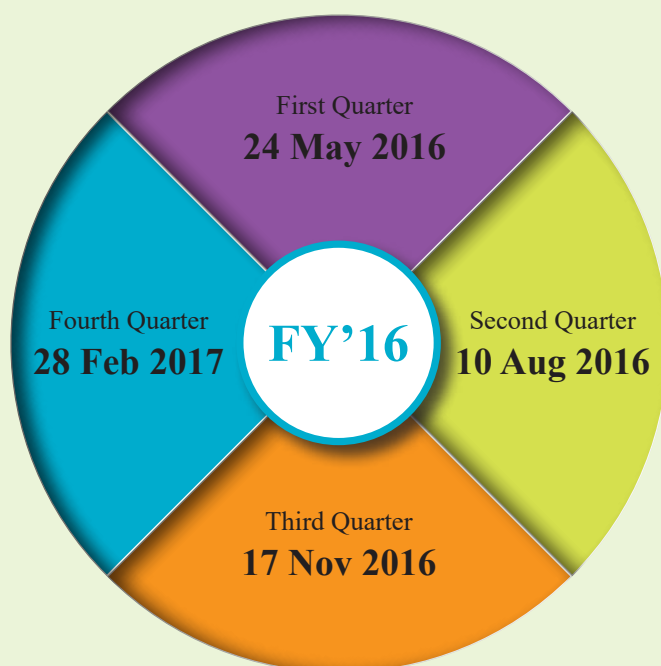
Nil

FINANCIAL YEAR END

31 December 2016

ANNOUNCEMENT OF FINANCIAL RESULTS

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS



Notice of Annual
General Meeting



Annual General Meeting

DIVIDENDS

	INTERIM	FINAL
Book Closure Announcement Date	17 November 2016	26 April 2017
Entitlement Date	2 December 2016	31 May 2017
Payment Date	16 December 2016	16 June 2017

GROUP FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Capital And Reserves					
Share Capital	141,390	141,390	141,390	141,390	141,390
Non-Distributable Reserves	451,901	450,832	351,685	354,684	357,684
Retained Earnings	735,678	645,631	612,984	552,612	514,288
Shareholders' Equity	1,328,969	1,237,853	1,106,059	1,048,686	1,013,362
Non-Controlling interests	76,039	77,375	70,297	70,157	67,909
	1,405,008	1,315,228	1,176,356	1,118,843	1,081,271
Non Current Assets					
Property, Plant And Equipment	842,990	839,517	690,147	686,592	682,739
Land Held For Disposal	22,413	22,413	22,413	29,263	29,263
Associates	375,640	320,583	306,216	292,137	276,292
Others Financial Assets	3,000	3,000	-	-	-
	1,244,043	1,185,513	1,018,776	1,007,992	988,294
Current Assets	365,508	339,922	316,645	289,272	272,096
Current Liabilities	43,421	43,992	29,679	50,071	51,246
Net Current Assets	322,087	295,930	286,966	239,201	220,850
Non-Current Liabilities					
Hire Purchase	23	58	-	-	-
Deferred Tax Liabilities	161,099	166,157	129,386	128,350	127,873
	1,405,008	1,315,228	1,176,356	1,118,843	1,081,271

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	357,163	327,736	428,343	439,781	452,362
Profit Before Tax	150,602	102,354	129,241	108,706	121,702
Profit After Tax	128,780	80,652	104,254	85,371	93,307

HIGHLIGHTS AS AT 31 DECEMBER

	2016	2015	2014	2013	2012
Earnings Per Share (Sen)	85.50	50.41	65.87	52.19	59.69
Net Tangible Asset Per Share (RM)	9.40	8.75	7.82	7.42	7.17
Current Ratio (Times)	8.42	7.73	10.67	5.78	5.31
Pre-Tax Profit As a Percentage of Sales (%)	42.17	31.23	30.17	24.72	26.90
Pre-Tax Profit As a Percentage of Shareholders' Equity (%)	11.33	8.27	11.69	10.37	12.01

DIVIDENDS DECLARED AND DIVIDEND PAYOUT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

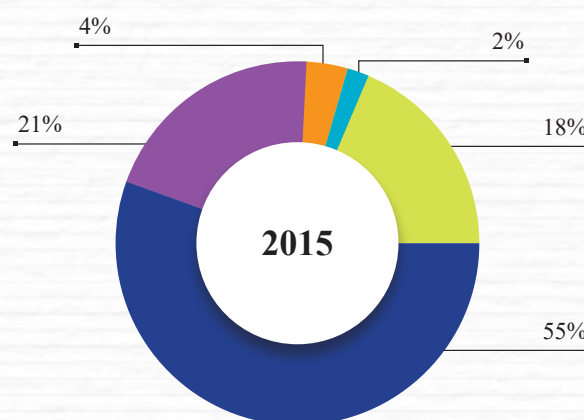
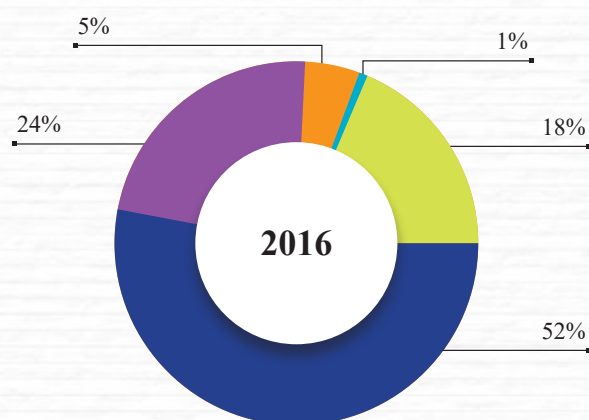
	2016	2015	2014	2013	2012
Gross dividend (Sen)	35.00	25.00	30.00	25.00	25.00
Dividend payout	41%	50%	45%	48%	42%



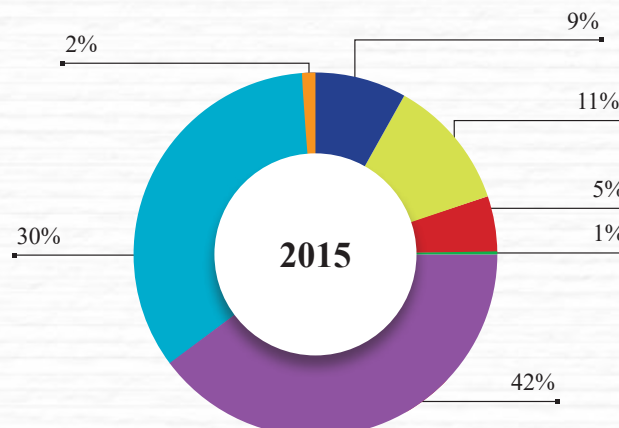
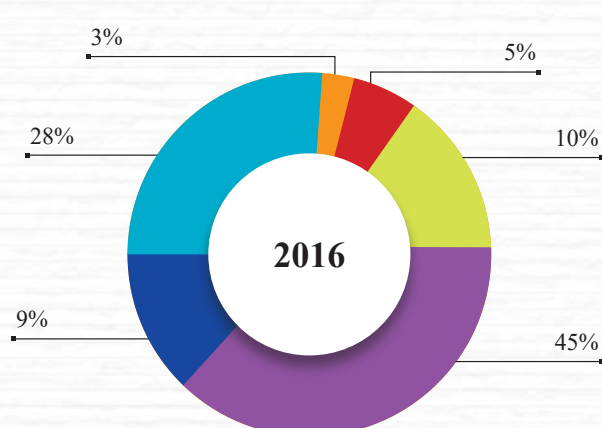
GROUP FINANCIAL SUMMARY

TOTAL ASSETS, LIABILITIES & EQUITIES

Total Assets	2016 RM'000	2015 RM'000
Property, Plant and Equipment	842,990	839,517
Land Held for Disposal	22,413	22,413
Associates	375,641	320,583
Inventories	3,908	5,290
Receivables	72,549	58,628
Deposits, bank and cash	289,051	276,004
Investment	3,000	3,000

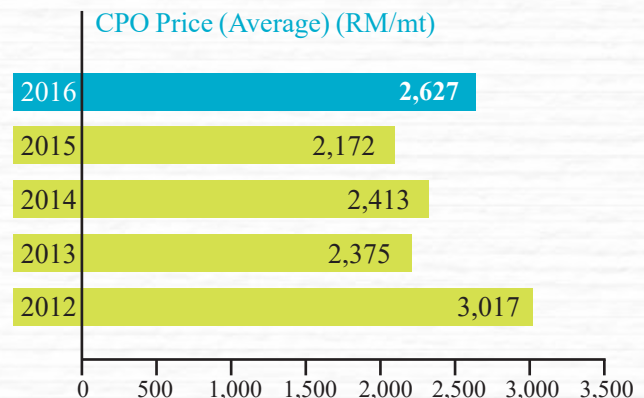
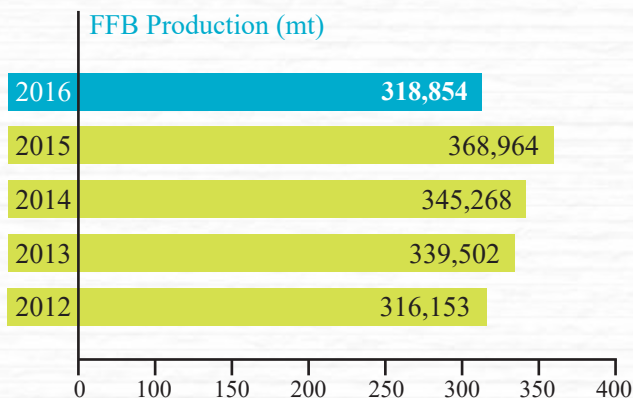
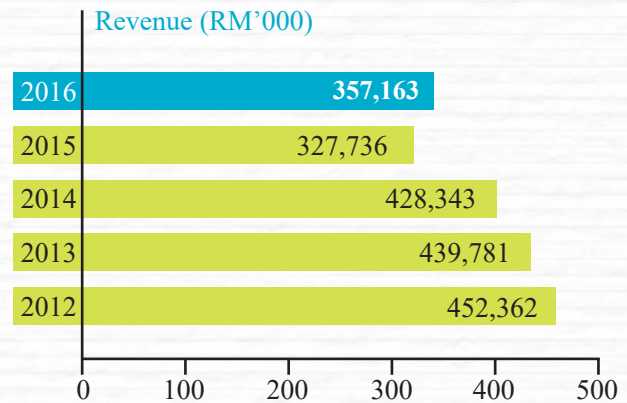
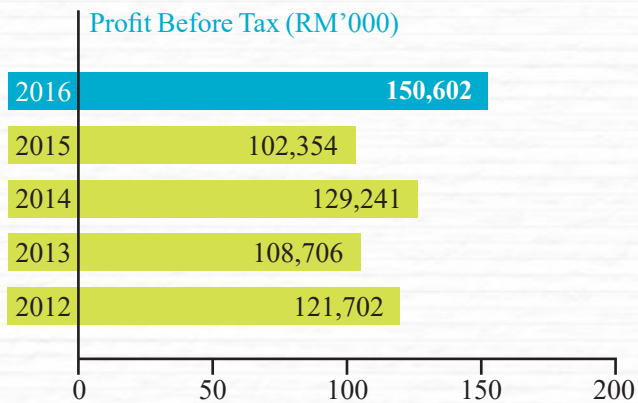


Total Liabilities & Equities	2016 RM'000	2015 RM'000
Share Capital	141,390	141,390
Non-Distributable Reserves	451,902	450,832
Retained Earnings	735,678	645,631
Non-Controlling Interest	76,039	77,375
Payables	43,421	29,853
Deferred Tax Liabilities	161,099	166,157
Dividend Payable	-	14,139
Hire Purchase Creditor	23	58



PLANTATION MATRIX

		2016	2015	2014	2013	2012
Mature Area	Hectare	19,136	18,512	18,106	16,927	16,218
Total Planted Area	Hectare	21,191	21,373	21,239	20,768	19,593
FFB Production	Mt	318,854	368,964	345,268	339,502	316,153
FFB Yield	Mt/ha	16.66	19.93	19.07	20.06	19.49
OER	%	18.47	18.86	19.11	18.72	18.89
CPO Yield	Mt/ha	3.08	3.76	3.64	3.75	3.68
CPO Price (Average)	RM/mt	2,627	2,172	2,413	2,375	3,017
PK Price (Average)	RM/mt	2,559	1,626	1,737	1,345	1,615
Kernel Recovery Revenue	RM/mt	689	410	433	354	398
FFB Cost (Ex-estate)	RM/mt	208	180	177	180	203
CPO Production Cost (Ex-estate)	RM/mt	1,124	954	929	963	1,077
CPO Production Cost (Exclude Replanting Cost)	RM/mt	1,544	1,331	1,306	1,347	1,487
Profit from CPO & Kernel Per Mature Hectare	RM/mt	5,489	4,688	5,664	5,417	7,065



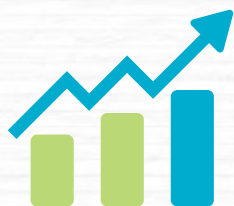
GROUP EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

“On behalf of the Board of Directors, it is my pleasure to present the Annual Report for the financial year ended 31 December 2016. Despite challenging economic conditions, especially in the volatile palm oil prices, the Group managed to produce another set of encouraging results.”



**YH DATO SRI' KAMARUDDIN
BIN MOHAMMED**
Group Executive Chairman



SHAREHOLDERS' FUND INCREASED
FROM RM1.24 BILLION TO

RM 1.33 Billion

For the financial year ended 31 December 2016, FEHB Group registered a record profit before tax of RM150.60 million, an increase of 47% compared with the previous year profit before tax of RM102.35 million. Correspondingly, the Group's earnings per share for the year under review increased by 70% to 85.50 sen from 50.41 sen registered in the previous year.

The Group's revenue increased by 9% from RM327.74 million in 2015 to RM357.16 million in 2016 as a result of higher CPO and PK prices. The average CPO and PK prices achieved during the year was RM2,627 per mt and RM2,559 per mt respectively (2015: Average CPO price was RM2,172 per mt while PK price was RM1,626 per mt). The shareholders' fund increased from RM1.24 billion to RM1.33 billion with the net tangible asset per share increased by 65 sen to RM9.40 from RM8.75 in 2015.

The Board is recommending for your approval, a final single tier dividend of 20 sen per share and special single tier dividend of 5 sen per share at the forthcoming Annual General Meeting. If approved, the total dividend paid for financial year 2016 would be 35 sen per share. This brings the total payout for the period under review of RM49.49 million, or a net dividend payout ratio of 41%.

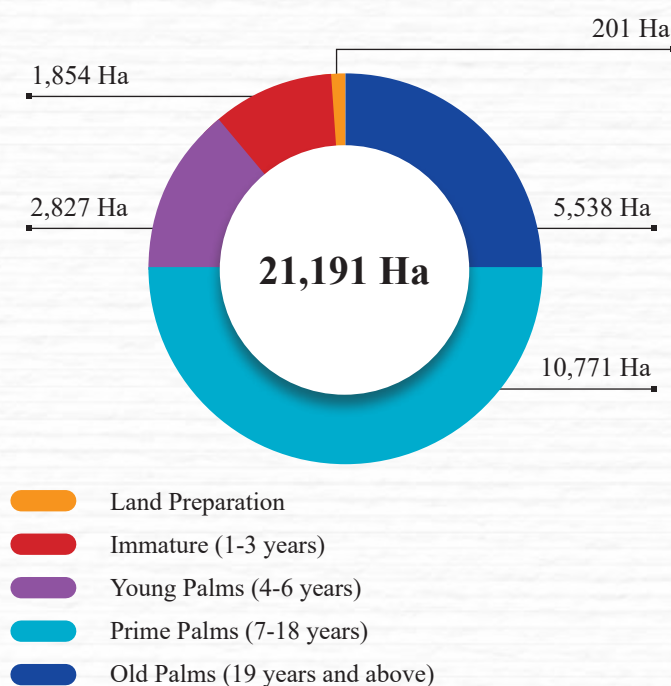
GROUP OPERATIONS HIGHLIGHTS

The Group recorded a production of FFB at 318,854 metric tonnes, a decrease of 14% when compared to 368,964 metric tonnes produced in 2015. The total plantation area for the year under review was 21,191 hectares, whilst the matured area for the year under review was 19,136 hectares against the previous year of 18,512 hectares.

The Group achieved a lower FFB yield of 16.66 metric tonnes per hectare in 2016 compared to 19.93 metric tonnes per hectare in 2015. The year 2016 performance was significantly impacted by prolonged and extreme hot and dry weather in 2014 and 2015.

The Group recorded an average Oil Extraction Rate ("OER") of 18.47% and Palm Kernel Extraction Rate of 4.85% for 2016 compared to 18.86% and 4.87% respectively for 2015. The Company will continue to focus on improving the yield per hectare, oil extraction rates and labour productivity in view of rising wages and higher production cost envisaged in the coming years.

Hectarage Profile





SUSTAINABILITY AGENDA

The reinforcement of the sustainability agenda will continue to form part of the underlying principles of FEHB's operation as a player in the oil palm industry. FEHB will uphold its sustainability agenda to ensure human and community rights are given top priority. We will strive to promote a safe, healthy and harmonious working environment for all employees. This is reflected by the continuous efforts of the Group in improving the working and housing conditions of all its employees.

We strive to ensure that sustainability standards are met and practices are compliant with the Malaysian Palm Oil Board ("MPOB") Code of Practices. The estates that had been awarded with the MPOB Code of Good Agricultural Practices are Bukit Serok estate, Sg Seraya estate, Dawn estate, Kampong Aur estate and its oil palm nursery, Cempaka estate as well as Kilang Kosfarm Sdn Bhd in the milling sector. The above mentioned estates are also pursuing compliance to Certification of Malaysian Sustainable Palm Oil Code of Practices.

The Group estates namely Bukit Serok estate, Sg Seraya estate, Cempaka estate, Dawn estate, Kampong Aur estate as well as FEHB's associate Company, Future Prelude Sdn Bhd have been certified under the ISCC (*"International Sustainability and Carbon Certification"*) for the second year consecutively. This demonstrates that biomass and bioenergy from our estates and refineries are produced in accordance to the European and German sustainability legislation which are of high international standards.

PROSPECTS

The Malaysian economy will continue to grow at a moderate pace and mainly supported by domestic demand. The plantation industry will continue to face challenges in the form of fluctuating prices, increasing costs, manpower shortages and unpredictable weather conditions. Nevertheless, with robust demand for food from the vegetable oils industry, the Group is expected to remain responsive to these challenges and continue to prosper in times to come.

The CPO prices are expected to remain favourably high for the first half of this year, mainly due to slower production and dwindling palm oil stocks. The robust global demand for palm oil would be underpinned by the high biofuel mandate both locally and from the overseas market.

We will continue to rely on our experience to pursue cost efficiency and higher productivity in the plantations operations. The Group also expects positive growth prospects not only from its plantation operations but also from the milling and biodiesel operations via its subsidiaries and associates.

The Group expects its overall operating performance for year 2017 to be equal if not better than financial year 2016. We hope to surmount all challenges to register another commendable year in 2017. As part of a sustainable business, we plan ahead for replanting so as to improve the age profile of the oil palm trees. We expect to spend substantially for the purpose of fertilisation of all our estates over the next few years in order to improve our Oil Extraction Rate and Palm Kernel Extraction Rate. This will ensure our estates are within the industry norm.

We intend to take measures to ensure our estates become more efficient, reduce costs and boost the group's revenue and profitability. We are positioning ourselves to transform into a mid-tiered sustainable plantation Company with strong productivity and efficient management.

ACKNOWLEDGEMENTS

I would like to express my sincere and heartfelt thanks to all our valued customers, associates and the relevant government authorities especially to the government of the State of Pahang for their assistance, support and guidance that are so essential for the growth of the Group.

My sincere appreciation is also directed to all our employees for their positive efforts in building a strong team and to our shareholders for their continued faith and endorsement. Our two (2) major shareholders, i.e. Perbadanan Kemajuan Pertanian Negeri Pahang (PKPP) and Prosper Trading Sdn Bhd have shown their unwavering commitment, support and confidence towards your Company.

Last but not least, my personal thanks to my fellow colleagues on the Board for their invaluable views, insights and resolute support. Together, we hold the responsibility to steer the Company in pursuit of greater heights.

Thank you to each and every one of our shareholders.

DATO' SRI KAMARUDDIN BIN MOHAMMED

Group Executive Chairman



CORPORATE SUSTAINABILITY STATEMENT



Commitment And Approach

For years, FEHB has continued to interact with different stakeholders in order to pursue its commercial objectives. In order to remain a responsible and sustainable organisation, we empower our business with regular stakeholder's engagement to take care of any key issues impacting them. Our sustainability framework was based on Economic, Environmental, and Social ("EES") considerations.

Economic

FEHB is an oil palm plantation operator established in 1973 and listed in 1991. Today, FEHB and its subsidiaries operate 13 estates covering 21,191 hectares (52,363 acres). The operation is supported by 161 employees who enjoy various employee benefits including attractive salary package, conducive housing facility with amenities in the estates, health benefit and bonuses which have resulted in low employment turnover.

Our operation also relies on the active vendors supplying various needs such as machineries, fertilisers, utilities and office supplies. Ethical procurement and vendor management are governed by a Purchasing Procedure set by management.

We also rely on contractors to conduct various field works. The Group had offered grant to contractors to encourage entrepreneurship. With these grant, contractors would be able to acquire machineries to enable more efficient field work to be conducted in the estates.

Environmental

We have taken steps to manage any possible adverse environmental impact arising from our operation. Although we received no environmental management complaints or fines for the past few years, we shall continue to maintain and adopt the best practices in our operations to avoid any adverse impacts on the environment.

The Group will also continue endeavor to enhance its contributions to better fulfill its environmental responsibilities.

The Group has embarked upon a demarcation exercise to re-establish the riparian reserves, alienating a minimum distance of 50 meters from our estates to the river bank. This exercise involves voluntarily abrogating sizable productive and plantable land for the reestablishment of riparian reserves to prevent river bank erosion over the years.

Wildlife and natural habitats are amongst the high conservation values in a plantation environment that has to be managed well. This is very important to the Group as our oil palm plantations are in the fringes of natural and forests reserve that houses some endangered, rare and threatened species.



The Group advocates sustainable oil palm cultivation. The sustainability certification under the MPOB Code Of Practices (now known as MPOB Code Of Good Agricultural Practice) obtained by the Group for Bukit Serok estate, Sg Seraya estate, Dawn estate, Kampong Aur estate, Cempaka estate and Kilang Kosfarm Sdn Bhd is the first effort by the Group to educate and mould our personnel towards the sustainability implementation process.

As part of our ongoing commitment to raise performance standards, more operating units have successfully achieved rigorous in-house and external certification since 2009, with five (5) estates certified under the Code of Good Agricultural Practices (“CoGAP”) by the Malaysian Palm Oil Board (“MPOB”).

Additionally, the Group is diligently pursuing the International Sustainability and Carbon Certification (“ISCC”), which is the first international certification system that can be used to prove sustainability and greenhouse gas (“GHG”) savings for biomass and

bioenergy for all the Group operation units. ISCC is oriented towards reducing GHG emissions, the sustainable management of land, the protection of natural biospheres and social sustainability. To date, we have obtained ISCC certification for five (5) estates and one (1) mill.

The achievement signifies that, apart from being sustainable, FEHB’s palm oil production system has contributed towards efforts to reduce global warming based on standards set by the European Commission.

The Group is also pursuing the Malaysian Sustainable Palm Oil certification (“MSPO”) as an alternative to the Roundtable on Sustainable Palm Oil (“RSPO”) standards. MSPO is similar to the ISCC but takes into consideration the national socio-economic agenda which focus particularly on improving the standard of living of local communities while adhering to all local, national and ratified international laws and treaties. FEHB has been actively involved in meeting the standards, and is currently engaging the stakeholders toward MSPO certification in the near future.



Social

We are committed to be an employer that practices good labour and human relationship for our diverse background of employees. We offer competitive benefits and compensation to attract and retain the best talents for the sustainability of our Company. We support their personal and professional development; promote work-life balance while ensuring their health and safety.

The Group is committed to Occupational Safety & Health (“OSHA”) at the work place so as to provide a safe and healthy environment for its employees throughout its entire business operations. Towards this, the Group has established a Group Safety & Health Department and OSHA sub-committees at every operating unit to ensure that the OSHA Policy put in place by the Group is complied with.

The OSHA committee plays the role of implementing OSHA Policy across the Group through structured trainings and scheduled meetings with operating units.

It also acts as a liaison between the Group and statutory or regulatory authorities on updates of rules and regulations pertaining to occupational safety and health.

The Group has applied an inclusive risk management programme that also involves contractors and vendors and not just our employees and workers.

Trainings are held to educate the employees on their responsibilities by the Group under OSHA 1994 as well as to equip them to perform Hazard Identification, Risk Assessment and Risk Control (“HIRARC”).

Our Sustainability Team works closely with the Group OSHA Committee to ensure that safety and health elements are built into procurement policies of the Group as well as service contracts. Where the work involves chemicals deemed hazardous to health, the Group conducts a Chemical Health Risk Assessment (“CHRA”) once every 5 years to determine its risk factor, so that appropriate mitigating measures could be taken.

The Group also performs Chemical Exposure Monitoring at identified worksites on an annual basis. Where required, workers exposed to chemicals at work are subjected to an annual medical check-up.

The Group has supplied Personal Protective Equipment (“PPE”) to its employees and workers at no cost to them. Various Standard Operating Procedures are in place governing the distribution, use, storage and maintenance of PPE. Training is also given on the safe and proper use of PPE and repeated at scheduled intervals in order to protect employee health when working with and having exposure to hazardous chemicals.

In 2016, we invested RM93,032.00 in employees’ development programs which include technical training as well as managerial and leadership skills training. Apart from working life, we promote work-life balance as well as healthy and safe lifestyle through various programs such as Sport Carnival, Annual Fishing Competition, Bowling Tournament and regular health check. We engaged with our employees through activities such as Staff Grand Dinner, Hari Raya Open Day, Program Bubur Asyura and also participation in youth education.

During the year, we conducted training programs for youths by exposing them to our business environment and practices under which fifteen (15) students had successfully completed their internship in various fields.



HIGHLIGHT OF GROUP'S OPERATION

For the past 40 years since incorporation on 6 August 1973, FEHB has engaged in cultivation of oil palms, production and sales of fresh fruit bunches (“FFB”), crude palm oil (“CPO”), palm kernel (“PK”) and investment holdings. As at to-date, the FEHB Group has expanded its planted areas to approximately 21,191 hectares (52,363 acres) through its thirteen (13) estates in Pahang.

The Group continued to face another challenging year, having endured one of the most severe El Nino in recent times. The prolonged drought slashed the Group's overall FFB production and yield per hectare to substantially below the last financial year's achievement. Even when the full force of El Nino had abated, the effect on production will continue to linger on into the next few years.

The drought effect by El Nino has reduced the overall production and supply of oil palm products in the industry thereby causing prices for such products to rise. CPO was about RM2,250 per metric tonne at the start of our financial year and rose gradually to approximately RM3,209 per metric tonne by the end of the financial year. Even more profound was the massive rise in the price of PK to about RM3,474 per metric tonne at the end of 2016 with an average PK price of RM2,559 per metric tonne for the year.

There have also been changes within the industry including an increase in foreign worker levy which came into effect on 18 March 2016. The levy for the Plantation and Agriculture sector was increased by RM50 to RM640 per worker. There was also an increase in minimum wage in Malaysia, which came into effect on 1 July 2016. The minimum wage in Peninsular Malaysia increased to RM1,000 monthly from RM900 monthly, while in East Malaysia, the minimum wage was increased to RM920 monthly from RM800 monthly.

Despite the lower production and higher cost, the Group was able to deliver better performance compared to the previous year as profit from plantation operation rose by 26% due to higher average CPO and kernel prices.

PLANTATIONS OPERATION

Dry weather had effected the Group's overall FFB production as the Group produced lower metric tonnes by 14% to 318,854 metric tonnes against production recorded in 2015 which was 368,964 metric tonnes. In tandem with lower crops, the Group's yield per hectare of FFB declined by 16% to 16.66 metric tonnes per hectare from 19.93 metric tonnes per hectare. Consequent to lower FFB production for the year, the Group's average cost of FFB and CPO rose by 16% to RM208 per metric tonne ex-estate and RM1,544 per metric tonne respectively. The cost is expected to be lower in the coming years following on our on-going procedures and programs to improve efficiency and reduce wastages at estate level.

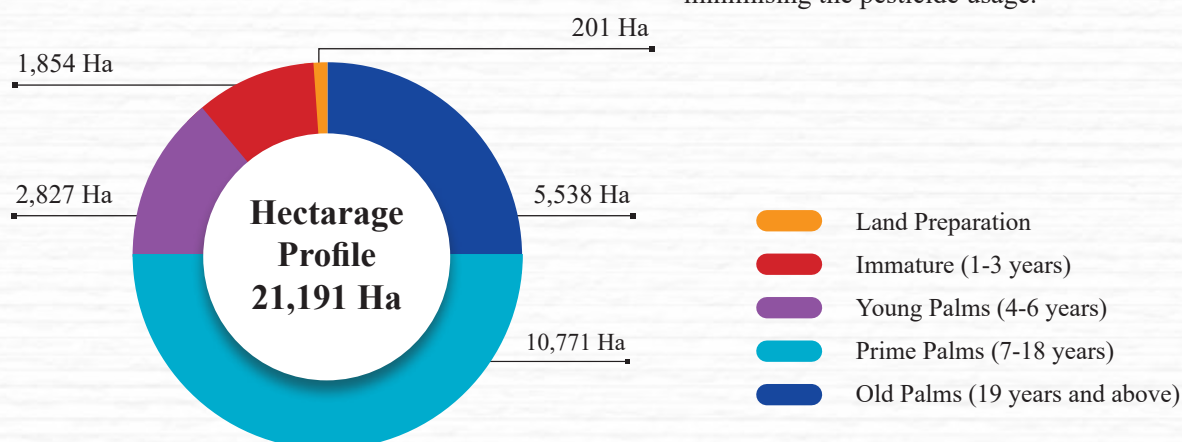
Higher CPO and PK prices realized for the year 2016 had mitigated the effect of lower crops production and higher production cost resulting in increased profit from plantation operation by 26% to RM83.43 million from RM66.22 million reported in 2015.





There has been no significant change in the productive areas from last year as there were no new acquisitions and no new planting reported for the year. The age profile of the developed areas is shown below:-

Particulars	Hectare	%
> 19 years (old palms)	5,538	26
7 - 18 years (prime palms)	10,771	51
4 - 6 years (young palms)	2,827	13
1 - 3 years (immature palms)	1,854	9
Land preparation	201	1
Total	21,191	100



Despite facing tough operating conditions due to unfavorable weather conditions, we remain focused in pursuing our development strategies. We have been aggressively optimizing the average age of our plantations with new developed areas and focusing on our replanting activities. Hence, we should be able to realize the full potential of our enlarged land bank in years to come. In addition to that, we have implemented close monitoring mechanisms to monitor operating expenses at estates level. Frequent audits were conducted focusing on loose fruits collection in order to maximize the yield. In order to maintain productivity among field workers, we also have rewarded them with special incentive as the Group realized higher average CPO price.

The Group estate performance had been monitored by a team of qualified agronomists. The objective is to ensure good quality palms and fruits are produced by conducting various analysis and studies on oil palm and the nutrient status, palm appearance, ground conditions, pests and diseases affecting the palms and pruning methods and also to ensure the best practices for sustainable agriculture.

The Group adopts proper frond stacking, planting of legume cover crops, implementing no blanket spraying and adopting an agronomic based fertiliser recommendation programme. The Group's fertiliser programme is recommended by a qualified agronomist based on a thorough analysis of leaf nutrient contents, yield-gap profiling and field observations.

The Group continues to embrace and implement integrated pest management practices. It involves a combination of different pest management techniques including an effective pest census and surveillance system to maintain the pest population below the acceptable thresholds while minimising the pesticide usage.

MILLING OPERATIONS

The Group's has two (2) strategically located palm oil mills namely, Kilang Kosfarm Sdn Bhd and Wujud Wawasan Sdn Bhd at Keratong, Pahang. The processing capacity for each mills is marked at 60 metric tonnes per hour. Together with outside crops, a total of 367,330 metric tonne (2015:434,200 metric tonne) of FFB were processed by these mills. The drop in FFB processed was attributed to the decrease in the availability of crop due to dry weather. The average oil extraction rate ("OER") achieved by the mills was lower at 19.71% (2015:19.96%), while kernel extraction rate ("KER") was at 5.25% (2015: 5.46%).

REVIEW OF FINANCIAL RESULT

The Group was able to register a total revenue from plantation and milling operation of RM357.16 million for the financial year under review compared to the revenue recorded in 2015 which was RM327.74 million despite lower production due to El Nino. The increase in revenue is due to higher prices recorded for oil palm products.

For the financial year 2016, the Group reported a Profit Before Tax ("PBT") of RM150.60 million as compared to a PBT of RM102.35 million reported for financial year 2015. The higher PBT of 47% was not solely contributed by higher CPO and PK average prices realized during the year but also higher contribution from share of profits from associated companies of RM57.92 million as well. Substantial increase of share of profits from associated companies was from gain on disposal of land under Prosper Group of Companies. The amount recognised by the Group from the disposal was RM41 million.

Breakdown of the profit before taxation is shown below:-

	2016 RM'000	2015 RM'000
Profit from plantation operation	83,433	66,221
Profit from milling operation	2,221	6,974
Share of profits from associated companies	57,917	17,810
Other income	4,113	4,998
Finance income	2,918	6,351
Profit before taxation	150,602	102,354

Other income of RM4.11 million consist of net sales from FFB scout harvesting, seedlings, palm kernel shell and rental income. In year 2016, the Group recorded a decrease in other income by 18% due to lower net sales from FFB scout harvesting as 356.60 hectares (881.16 acres) of previously immature area at Rangkaian Estate was declared matured.

Finance income consists of interests received from Fixed Deposit placements and Short-term Special Investments. Lower finance income by RM3.43 million (54%) was due to placement in Fixed Deposit in the financial institution as per court order pursuant to the on-going claim by Majlis Ugama Islam dan Adat Resam Melayu Pahang against the Company.

DIVIDENDS

The Group is committed to the payment of annual dividends. The quantum of dividends will be determined after taking into account the level of available funds, the amount of retained earnings and other investment planning requirements. The adopted policy is deemed as a balanced approach between rewarding shareholders and maintaining reserves for future growth.

In respect of financial year ended 31 December 2015, a single tier dividend of 25 sen per share was declared totaling RM35.35 million.

The strong balance sheet and financial position of the Group has enabled the Group to continue to reward its shareholders despite the challenging environment. The Directors had declared an interim single tier dividend of 10 sen per share. The interim single tier dividend was paid on 16 December 2016. The Directors are pleased to recommend a final single tier dividend of 20 sen per share and a special single tier dividend of 5 sen per share at the forthcoming Annual General Meeting. If approved, the total dividend paid in respect of financial year ended 31 December 2016 would be 35 sen per share which brings the total payout of RM49.49 million, or a net dividend payout ratio of 41%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL CONDITION

The financial position of the Group is strong and healthy with a cash reserve of RM289.05 million, total current assets of RM365.51 million and total current liabilities of only RM43.42 million. The Group has therefore a working capital sufficiency of 8.42 times on the strength of its financial position. The Group is actively seeking opportunities to expand the plantation operations. The Group did not have any borrowings and its strategy in the financial year which was unchanged from previous year was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

The Group continues to manage its capital in a proactive manner to enhance returns to shareholders and providing for capital investment funding requirements. For the year under review, the Group's current Fixed Deposit placements stood at RM254.94 million with average interest rate of 3.30% per annum. The Group took proactive action to minimise the risk as the placement would only take place ranging from one (1) to three (3) months.

HUMAN CAPITAL

The Group recognizes that human assets are crucial to the success of the Group. Good labour relationship and the recognition of human rights will continue to be a hallmark of our Group.

We will continue to strive to recruit and maintain talents by offering competitive salaries and benefits and providing staff with training and education to improve the skills besides providing proper housing and other staff amenities.

PROSPECTS

The Group maintains its positive view on the sector as we believe that CPO price will stay strong as indicated at beginning of 2017. The lagged impact from the El Nino on oil palm production will continue for some time and this will keep CPO prices high. The CPO price is expected to be high until the first quarter of 2017 but it could go lower thereafter due to higher production as the El Nino drought effect comes to an end.

The Group expects a year-on-year growth in production in view of the low base in 2016. The Group will strive to achieve a higher degree of efficiency in operation to increase production yield and achieve better operational result in years to come.

Moving forward, the Group is focused on improving operation cost efficiency and frequent audits were conducted to develop and enhance control mechanisms on the cost monitoring at estate level. As a result, the Group is expecting improved performance in the future.



AUDIT COMMITTEE REPORT

The Board of Directors of Far East Holdings Berhad (FEHB) is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee presently comprises the following Directors:-

Members	Membership	Appointment	Tenure on the Audit Committee (Years)
Encik Hashim Naina Merican bin Yahaya Merican	Chairman, Independent Non-Executive Director	13.8.2009	7
YH Dato' Tan Bing Hua	Member, Independent Non-Executive Director	23.7.2012	4
YH Dato' Jamaluddin bin Abd Majid	Member, Non – Independent Non-Executive Director	18.8.2015	2
Encik Nik Mohamed Zaki bin Nik Yusoff	Member, Independent Non-Executive Director	8.7.2015	2

There was no alternate director appointed during the year 2016.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:-

- To undertake annual review as well as reassess the adequacy of the Terms of Reference annually.
- To review and verify annually the effectiveness of the Company's Risk Management Program.
- To review the Group's Statement of Internal Control systems prior to endorsement by the Board.
- To ensure prompt publication of annual accounts.
- To review the minutes of other audit committee meetings within the Group to ensure all matters arising are being appropriately addressed.
- To review the audit report with the external auditors.
- To review the quarterly results and year-end financial statements of the Company and the Group.
- To review all related party transactions and any conflict of interest situation that may arise.
- To consider and examine such other matters as the Board consider appropriate and beneficial.
- To perform any other functions as may be agreed upon by the Audit Committee and the Board.
- To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee.
- To review the scope of external auditors' audit plan, their evaluation on internal control systems, their management letter and discuss any matter that the external auditors may wish to raise without the presence of management.



AUDIT COMMITTEE REPORT

DUTIES AND RESPONSIBILITIES (CONTINUED)

- To obtain explanations from management for unusual variances in the Company's annual financial statements, review annually the independent auditors' letter of recommendations to management and management's response.
- To review and coordinate the audit approaches where more than one audit firms of external auditors are involved and the co-ordination between the external and internal auditors.
- To ensure that the employees of the Group have given external and internal auditors appropriate assistance in discharging their duties.
- To consider whether the independent auditors provision of non-audit services is compatible.
- To discuss and review with the external auditors any proposal from them to resign as auditors.
- To ensure the adequacy of the scope, functions, competency and resources of the internal audit function.
- To review the internal audit plan, processes, results and implementation of recommendations.
- To appraise the performance of the Head of Internal Audit and to review his function as well as appraisals of senior staff members of the internal audit team.
- To approve appointment, resignation or termination of the Head of Internal Audit and senior staff members of the internal audit.

Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling the following key responsibilities:-

- Assessing the risks and control environment.
- Overseeing financial reporting.

PERFORMANCE OF THE AUDIT COMMITTEE

The appointment of Chairman and members of the Committee had been made in accordance to the Listing Requirements.

The Committee comprises exclusively of Non-Executive Directors, a majority of whom are independent Non-Executive Directors.

The Committee members were informed at the beginning of the year of the number of Audit Committee Meetings scheduled during the year.

The Audit Committee members were given Audit Committee Papers in advance not less than seven (7) days before the scheduled meeting.

Pursuant to the Listing Requirements, the Board had reviewed the term of office and assessed the performance of each member of the Audit Committee appointed for the year based on the recommendation of the Nomination Committee.

The Board is satisfied that the Audit Committee has discharged its duties in accordance with the Terms of Reference.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2016, the Audit Committee held a total of five (5) meetings. Details are as follows:-

No	1	2	3	4	5
Date	22 February 2016	23 March 2016	24 May 2016	9 August 2016	16 November 2016

The details of attendance of the Audit Committee members are as follows:-

Name of Audit Committee Members	Total Number of Meetings	Number of Meetings Attended
Encik Hashim Naina Merican bin Yahaya Merican	5	5
YH Dato' Tan Bing Hua	5	5
YH Dato' Jamaluddin bin Abd Majid	5	5
Encik Nik Mohamed Zaki bin Nik Yusoff	5	5

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the year under review, the Audit Committee has undertaken the following activities:-

- Reviewed the external auditors' audit plan, scope and areas of audits, evaluation of the system of internal controls, audit findings, management letter, management's response and the audit report.
- Reviewed the suitability of the external auditors and recommended to the Board for appointment and the audit fee thereof.
- Reviewed and recommended to the Board for approval on the new clauses in the updated letters of engagement from the external auditors for the Group.
- Reviewed the Company's Financial and General Performance Report in order to ensure that the Board had been provided with sufficient information for announcements to Bursa Malaysia.
- Reviewed the annual financial statements, semi annual returns and quarterly results of the Group for the Board approval.
- Reviewed the policy on recurrent related party transactions (RRPT) of a revenue or trading nature and recommended to the Board for approval, adoption and inclusion in the circular to shareholders in relation to the proposed renewal of shareholders' mandate for RRPT pursuant to the Bursa Malaysia Listing Requirements.
- Reviewed the risk management of the Company, management objectives and policies of the Group and recommended to the Board for approval and adoption.
- Reviewed the results of the Group's internal audit reports and the adequacy of remedial actions taken by the management as recommended in the reports.
- Reviewed and approved the 2017 Internal Audit Plan.
- Reviewed follow-up actions by management on any weaknesses in internal accounting procedures and controls as highlighted by the external and internal auditors.

AUDIT COMMITTEE REPORT

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTIONS

The Audit Committee is assisted by the in-house Internal Audit Department in maintaining a sound system of internal controls.

The Internal Audit Department undertakes internal audit functions based on the audit plan that is reviewed and approved by the Audit Committee, which covers the adequacy of financial and operational controls, risk management, compliance with laws and regulations, policies and procedures and management efficiency, amongst others.

Based on the risk assessment exercise results, Internal Audit had reviewed the adequacy of control on the auditable areas/scopes.

Internal Audit had carried out scheduled audit for seven auditable areas/scopes and also conducted five special reviews based on the requests made by the management on the insurance policies and estate's operational controls. All significant issues were highlighted during the audit exit meetings and follow-up on the issues were taken and communicated to the auditees, management and Audit Committee.

Internal Audit also had conducted compliance audit on ISCC ("International Sustainability and Carbon Certification") whereby five certified estates were reviewed during the year 2016.

The internal audit reports prepared by the Internal Audit Department are presented to the Audit Committee. The summary of Internal Audit's findings, recommendations and management's responses were also tabled to the Audit Committee to ensure that management undertakes the agreed remedial actions.

Internal Audit Department had adequate resources to carry out its duties during the year 2016. The internal and external auditors had conducted a meeting to discuss on issues pertaining to the principal risks, follow-up actions taken by the management and also scopes/areas of audit to be covered by both parties.

CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

The Board of Directors is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance.

The Board of Far East Holdings Berhad confirms that the Group has applied the principles, and the extent of compliance with the Malaysian Code on Corporate Governance ("the Code") pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("LR"). These principles and best practices have been applied throughout the year ended 31 December 2016.

The Board of Directors further confirms that the Group will continuously apply the said principles and practices and where deemed appropriate, enhance the application thereof in pursuit of its commitment to the highest standards of corporate governance that best suited to the Company practices.

The Board emulated by the Code in achieving the primary objective of the Company which is to enhance professionalism in boards and committees. The Board continuously strive to raise the level of corporate governance through the structuring and implementation of sound practices and processes which engender an effective board.

Set out below are descriptions of how the Group applied to the Principles of the Code and how the Board has complied with the Best Practices set out in the code.

The Board during the year under review has established the Board Charter as guidelines and perimeter for the Board as well as the Committees. The Board Charter is posted at FEHB's Website www.fehb.com.my.

THE BOARD OF DIRECTORS

Principal Roles

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and business of the Company.

The Board is aware that an effective Board essentially comprising Directors who are fully committed, well informed and who possess diverse skill and experience relevant to the business that could contribute effectively to the growth of the Company.

As stipulated in the Board Charter, the Board has targeted to meet at least six (6) times a year, with additional meetings convened as and when necessary.

Board Balance

The current Board consists of seven (7) Non-Executive Directors and two (2) Executive Directors i.e. Group Executive Chairman and Executive Director, Plantations, with three (3) of the nine (9) Directors being Independent Directors with a synergistic mixture of businessmen, planters, professionals and technical expertise. This mix of skills and experience is vital for the successful direction of the Group. A brief profile of each Director is presented on pages 12 to 20.

All Directors, both executive or non-executive, independence and non-independence are aware of their legal obligations to exercise independence, unfettered judgment and to act in good faith with due care and skills.



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

THE BOARD OF DIRECTORS (CONTINUED)

Board Balance (continued)

The role of the Group Executive Chairman and the Executive Director, Plantations are separated and clearly defined, as stipulated in the Board Charter so as to ensure that there is a balance of power and authority. The Group Executive Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Executive Director, Plantations has overall responsibility for the plantation operating units, organisational effectiveness and implementation of Board policies and decisions. The existing Group Executive Chairman has never been a Chief Executive Officer of the Company. Under his stewardship, the Board is encouraged to engage in healthy debate on any agenda tabled. Each one of the Board member is allowed to express any skepticism and be debated openly until collective decision is made. The Chairman of the Board has played his role effectively to ensure that all resolutions are made after careful deliberation and discussion. The presence of three (3) Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors are particularly important as they provide an unbiased and independent views, advice and judgment.

Supply of Information

All Directors are provided with formal schedule of matters and a set of necessary Board papers in advance at least seven (7) days prior to the respective Board meetings. They have direct access to the advice and services of the Company Secretary.

The following are schedule of matters which are specifically reserved for the Board:-

- Appointment of the Chairman;
- Appointment and recommendation for removal of Directors;
- Appointment and removal of Company Secretary;
- Establishment of Board Committee, their membership and delegated authorities;
- Approval of interim dividend and recommendation of final dividend for shareholders' approval;
- Approval of annual budget including capital committees;
- Approval of corporate plan and programme;
- Approval of new ventures;
- Approval of material acquisition and disposals of undertaking and properties;
- Approval of the limits of authority for the Company and Group;
- Approval for the Audited Reports and Financial Statements;
- Calling for the meetings of shareholders;
- Review of corporate governance principles and policies;
- Review of whistle blowing reports; and
- Any other specific matters requested by the Board from time to time.

In furtherance of their duties and responsibilities, Directors may obtain independent professional advice, where necessary at the Company's expense. The external advisers are sometimes sought by the Company to enhance both Board's and management's understanding of a particular emerging issue.

CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

THE BOARD OF DIRECTORS (CONTINUED)

Appointments To The Board

Pursuant to the best practices promulgated by the Code, the Board has established a Nomination Committee, consisting of three (3) Directors. The duties and responsibilities of the Committee are to propose new nominees to the Board and to assess the contribution of each individual Director and overall effectiveness of the Board on an on-going basis. The Nomination Committee is guided by the specific Terms of References that is set by the Board. The primary objectives of the Nomination Committee are as follows:-

- To assist the Board in assessing existing directors and identifying, nominating and orientating new directors to enhance corporate governance.
- To assist the Board in ensuring that appointment are made on merit against an agreed specification.
- To assist the Board in identifying and reviewing on annual basis, the required mix of skills, experience and other qualities, including core competencies Directors should bring to the Board for it to function effectively and efficiently.
- To examine the size of the Board.
- It is an annual exercise that each individual Board and Committee member is evaluated based on pre-set criteria. The Board is looking for and identifying suitable female candidates to sit in the Board.

Board Committees

The Board delegates specific responsibilities to the Board Committees, all of which have their written terms of references. These Committees have the authority to examine particular issues and report to the Board with their recommendations.

The Board Committees allow Directors to make better use of their limited time and allow more focus be given to complex issues and recommending courses of action whereby detail deliberation had been made at Committee level with the specific function of the committee agenda. However, the ultimate responsibility for the final decision on all matters lies with the Board.

The Board delegates authority not responsibility to the committee. The three principal Board Committees are:-

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

The membership and principal duties and responsibilities of the Committees are set out in the following pages 49 to 51.

Re-Election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting immediately after their appointment.

In accordance with the Articles, one third of the remaining Directors, including the Executive Directors, are required to submit themselves for re-election by rotation at each Annual General Meeting.

The Company had made a policy that an Independent Director should not serve the Company for more than nine (9) years. This could be evidenced by previous retirements of our Independent Directors namely Puan Sharina Bahrin, Miss Ng Yee Kim, En Khairul Azahar bin Ariffin, Mr Ng Say Pin and YH Dato' Dr Ahmad bin Aman. In fact, it is the Company's practice to evaluate the Independent Directors as set by Paragraph 1.0 of the Listing Requirements.



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

THE BOARD OF DIRECTORS (CONTINUED)

Directors Training

Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by the Bursa Malaysia from time to time. All Directors attended the Mandatory Accreditation Programme (“MAP”) prescribed by the Bursa Malaysia and completed their Continuing Education Programme (“CEP”) as prescribed by the Bursa Malaysia. For the financial year ended 31 December 2016, all Directors had participated and attended seminars as recommended and approved by the Board as follows:-

No	Name	Course Attended	Date Attended
1.	YH Dato’ Sri Kamaruddin bin Mohammed	18 th Malaysia Strategic Outlook Conference 2016 New Companies Act 2016 - New Way of Doing Business in Malaysia	26 January 2016 25 October 2016
2.	YH Dato’ Wan Bakri bin Wan Ismail	Program Kredibiliti Pemimpin	11-12 October 2016
3.	YH Dato’ Tan Bing Hua	Board Chairman Series Part 2 Highlight of the Companies Act 2016 - Changes & Implications	18 August 2016 16 December 2016
4.	YH Dato’ Jamaluddin bin Abd Majid	18 th Malaysia Strategic Outlook Conference 2016 New Companies Act 2016 - New Way of Doing Business in Malaysia	26 January 2016 25 October 2016
5.	Mr Tee Kim Tee @ Tee Ching Tee	Highlight of the Companies Act 2016 - Changes & Implications	16 December 2016
6.	Mr Tee Cheng Hua	Corporate Governance Breakfast Series for Director Advanced Corporate Valuations: Beyond Traditional Methods	26 February 2016 05-06 December 2016
7.	En Hashim Naina Merican bin Yahaya Merican	18 th Malaysia Strategic Outlook Conference 2016 Audit Committee Seminar for the Public and Private Sectors 2016 Board Chairman Series Part 2 New Companies Act 2016 - New Way of Doing Business in Malaysia	26 January 2016 16-17 May 2016 18 August 2016 25 October 2016
8.	Mr Tee Lip Teng	Bursa Malaysia Palm Oil Conference 4 th ICIS Asian Oleochemicals Conference MPOB Palm Oil Economic & Outlook Seminar MPOB PAC Seminar Bursa Malaysia Sustainability Engagement Series New Companies Act 2016 - New Way of Doing Business in Malaysia MPOC Palm Oil Trade Fair & Seminar	7-9 January 2016 13-14 January 2016 19 January 2016 14 April 2016 1 June 2016 19 August 2016 12-13 October 2016
9.	En Nik Mohamed Zaki bin Nik Yusoff	Corporate Governance Breakfast Series for Director Sustainability Engagement Series for Director/Chief Executive Officers New Companies Act 2016 - New Way of Doing Business in Malaysia	26 February 2016 02 June 2016 25 October 2016



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

THE BOARD OF DIRECTORS (CONTINUED)

Development of Human Capital

The Board is also of the view that human capital development and management is one of the major concern of ensuring continuous growth and standard of the Company. The Company has set a benchmark to promote internal candidate for succession planning. Core functions of the management operation had been identified and the supporting talents of individual function are nurtured and developed in order to be prepared for advancement. The Board delegated the authority for identifying the key talent to the key management of the Company.

AUDIT COMMITTEE

Chairman **Encik Hashim Naina Merican bin Yahaya Merican**
Independent, Non-Executive Director

Members **YH Dato' Tan Bing Hua**
Independent, Non-Executive Director

YH Dato' Jamaluddin bin Abd Majid
Non-Independent, Non-Executive Director

Encik Nik Mohamed Zaki bin Nik Yusoff
Independent, Non-Executive Director

Terms of Reference

The Audit Committee reviews issues of accounting policies, presentation for external financial reporting, monitors the work of the Internal Audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the Audit Committee. The report of the Audit Committee is stated on pages 41 to 44. The Audit Committee meets once a year with the external auditors without the presence of Executive Officers of the Company.

The Group's financial reporting and internal control system is overseen by the Audit Committee, which comprises three (3) Independent Non-Executives and one (1) Non-Independent Non-Executive Director. The composition, terms of reference and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report. A charter that is approved by the Board governs the activities of the Audit Committee.

The Audit Committee meets quarterly. Additional meetings are held as and when required. During the financial year ended 31 December 2016, a total of five (5) Audit Committee meetings were held.

The Head of Departments in Head Office are invited to attend the Audit Committee meetings when deemed necessary by the Audit Committee for the purpose of briefing the Audit Committee on the activities involving their areas of responsibilities.

The Audit Committee meets with the Group's external auditors annually to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The Audit Committee also meets with the external auditors whenever it deems necessary.

The Audit Committee Report is presented on pages 41 to 44.



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

NOMINATION COMMITTEE

Chairman	YH Dato' Tan Bing Hua (Chairman) <i>Independent, Non-Executive Director</i>
Members	Mr Tee Kim Tee @ Tee Ching Tee <i>Non-Independent, Non-Executive Director</i>
	En Hashim Naina Merican bin Yahaya Merican <i>Independent, Non-Executive Director</i>

Terms of Reference

The Committee is entrusted to ensure that the Company recruits, retains, trains and develops the best available executive and non-executive directors and manages board renewal and succession effectively. During the year under review, the Nomination Committee held only one (1) meeting.

The terms of reference of the Nomination Committee are as follows:-

- To recommend to the Board candidates for all directorships to be filled;
- To recommend to the Board, Directors to fill the seats on the Committees of the Board;
- To identify and review the core competencies and skills required of Board members to best serve the business and operations of the FEHB Group as a whole and optimum size of the Board to reflect the desired skills and competencies;
- To review and ensure that at least one-third of the Board is independent;
- To recommend to the Board the appropriate number of directors which fairly reflects the investments of the minority shareholders in the Company, and whether the current Board representation satisfies this requirement;
- To undertake an annual review of the required mix of skill, experience and other qualities including core competencies which the directors should bring to the Board and to disclose this in the Company's Annual Report;
- To identify a criteria and formulate a procedure to assess the effectiveness of the Board, the Committee of the Board and the contributions of each individual director;
- To take into account an individual's other commitments, resources and time available for input for the Board in assessing the suitability of an individual to be elected to the Board;
- To report all its recommendations to the Board for its consideration and implementation;
- To formulate relevant guidelines and procedures to enable the committee to function effectively and achieve its objectives; and
- To perform any other functions as authorised by the Board.

CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

REMUNERATION COMMITTEE

Chairman	YH Dato' Sri Kamaruddin bin Mohammed (Chairman) <i>Non-Independent, Executive Director</i>
Members	Mr Tee Kim Tee @ Tee Ching Tee <i>Non-Independent, Non-Executive Director</i>
	Mr Tee Lip Teng <i>Non-Independent, Non-Executive Director</i>

Terms of Reference

The Remuneration Committee currently consists of wholly Non-Independent Directors. The Committee is responsible for setting the policy framework and for making recommendations to the Board on remuneration and other terms of employment for member of the Board and senior management. During the year under review, the Remuneration Committee held only one (1) meeting.

DIRECTORS' REMUNERATION

Directors' Remuneration (including remuneration of service rendered to listed issuer as a group)

The aggregate Directors' remuneration paid or payable or otherwise made to all Directors of the Company who served during the financial year ended 31 December 2016 are as follows:-

Category	Fees (RM'000)	Group Other emoluments (RM'000)	Total (RM'000)	Fees (RM'000)	Company Other emoluments (RM'000)	Total (RM'000)
Executive	880	1,859	2,739	220	1,478	1,698
Non-Executive	760	880	1,640	490	-	490
Total	1,640	2,739	4,379	710	1,478	2,188

Listed issuer and group basis categories

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range of Remuneration	Executive Director	Non-Executive Directors
RM50,000 – RM100,000	-	7
RM400,000 – RM450,000	1	-
RM1,250,000 – RM1,300,000	1	-

RELATIONS WITH SHAREHOLDERS AND INVESTORS

Corporate Communication

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders and investors. It is a crucial mechanism in shareholder communication for the Company. At the Company's AGM, which is generally well attended, shareholders have direct access to the Board and are given the opportunities to ask questions during open question and answer session prior to the motion moving for approval of the Company's Audited Statements and Directors' Report for the financial year. The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide the questions with immediate answer to a significant question, the Chairman will undertake to provide him/her with a written answer after the AGM.



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

RELATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Corporate Communication (continued)

The Company's e-mail address fareast@fareh.po.my is one of the means to communicate with the Company. The Board has appointed En Hashim Naina Merican bin Yahaya Merican, an Independent Non-Executive Director as a Director responsible for Investor Relationship. Any queries with regard to the Group may be communicated to him. His email address is hashimmerican@fareh.po.my. Shareholders may also contact the Company Secretary or visit our website www.fehb.com.my for further information.

The Company always welcome whistle blowers of any suspected wrong doing and ensures that matters highlighted by the whistle blowers are scrutinized and appropriate action taken. Action taken are guided by the Company's whistle blowing policy that is in place.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors recognise the responsibility for ensuring that accounting records are properly kept and the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

The quarterly results announcements to Bursa Malaysia Securities Berhad reflect the Board's commitment to give regular updated assessments on the Group's performance and prospects. The statement by the Board pursuant to Section 248 of the Companies Act, 2016 is presented on page 61.

Internal Controls

The Group has established internal controls that covers all levels of personnel and business processes to ensure the Group's operations are effective and efficient as well as safeguarding the Group's assets and shareholders' interests. The Statement on Risk Management and Internal Control furnished on pages 58 to 60 of the Annual Report provides an overview of the state of internal controls within the Group.

Internal Audit

The Group has established an Internal Audit Department to assist the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Board. The Internal Audit function includes evaluation of the processes by which significant risks are identified, assessed and managed. Such audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures consistent with the Group's risk management policy. The Internal Audit Department reports directly to the Audit Committee and its findings and recommendations are communicated to the Board.

External Audit

The Group independent External Auditor fills an essential role for the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of that reliability to users of these financial statements.

The External Auditors have an obligation to bring any significant defects in the Group's system of control and compliance to the attention of the management and, if necessary, to the Audit Committee and the Board. This includes the communication of any fraud detected.



CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENTS

ADDITIONAL COMPLIANCE STATEMENT

Group Audit Fees

The amount of audit fees paid/payable to the external auditors by the Company and the Group for the financial year ended 31 December 2016 was RM55,000 and RM200,000 respectively.

Group Non-Audit Fees

The amount of non-audit fees paid/payable to the external auditors by the Group for the financial year ended 31 December 2016 was RM53,000.

Internal Audit

The Company's In-House Internal Audit Department had incurred expenses amounting to RM444,585 for the financial year ended 31 December 2016 (2015: RM375,791).

Material Contract

Except for transactions disclosed in Recurrent Related Party Transactions, none of the directors and major shareholders had any material contracts with the Company during the financial year ended 31 December 2016.



RECURRENT RELATED PARTY TRANSACTIONS

Recurrent Related Party Transactions of a Revenue or Trading Nature

Pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will be seeking the renewal from the shareholders for recurrent related party transactions of a revenue or trading nature, entered into between Far East Holdings Berhad (“FEHB”) or its subsidiary companies and related parties, at the forthcoming Annual General Meeting of FEHB scheduled to be held on 24 May 2017. The related party transactions for the group are as follows:-

Name	Nature of Relationship	Date and Place of Incorporation	Principal Activities
KKSB	FEHB directly holds 51%* equity interest in KKSB	13.11.1989 Malaysia	Operating of palm oil mill
WWSB	KKSB directly holds 51%* equity interest in WWSB	29.11.2005 Malaysia	Operating of palm oil mill
PTSB	PTSB is a major shareholder of FEHB that holds 23.73%* equity interest in FEHB	09.09.1985 Malaysia	Operating of palm kernel mill
PPOM	FEHB directly holds 40%* equity interest in PPOM	13.01.1978 Malaysia	Operating of palm oil mill and cultivation of oil palm
RPOM	PPOM directly holds 30%* equity interest in RPOM	28.01.1994 Malaysia	Operating of palm oil mill
EPOM	PTSB directly holds 32%* equity interest in EPOM	23.10.1997 Malaysia	Operating of palm oil mill
PGC	KKSB directly holds 30%* equity interest in PGC	10.04.2004 Malaysia	Management Services in palm oil plantations and marketing of sales and purchases of CPO
PPOPM	PPOM directly holds 30%* equity interest in PPOPM	18.08.1994 Malaysia	Trading and Marketing agent
KOSMA	KOSMA is a shareholder of WWSB that holds 49%* equity interest in WWSB	04.12.1967 (Incorporated under Cooperative Act 1993) Malaysia	Operating of palm oil mill and cultivation of oil palm
LKPP Corp.	LKPP Corp. holds 5.96%* equity interest in FEHB. LKPP Corp. is a wholly owned subsidiary of PKPP. PKPP is a major shareholder of FEHB that holds 25.18%* equity interest in FEHB	21.06.1990 Malaysia	Operating of palm oil mill and cultivation of oil palm
Kilang Sawira Makmur	KKSB indirectly holds 31.50%* stake in Kilang Sawira Makmur via its associated company i.e. Jaspurna Holdings Sdn Bhd	18.11.1993 Malaysia	Operating of palm oil mill
FPSB	FEHB and PPOM directly hold 47.17% and 35.17% equity interest in FPSB respectively.	24.10.2005 Malaysia	Manufacturing and exporting palm oil, fatty acids and chemicals compounds or derivatives

* As at 31 March 2017



RECURRENT RELATED PARTY TRANSACTIONS

Recurrent Related Party Transactions of a Revenue or Trading Nature (continued)

<i>EPOM</i>	<i>Endau Palm Oil Mill Sdn Bhd</i>
<i>FPSB</i>	<i>Future Prelude Sdn Bhd</i>
<i>KKSB</i>	<i>Kilang Kosfarm Sdn Bhd</i>
<i>Kilang Sawira Makmur</i>	<i>Kilang Sawira Makmur Sdn Bhd</i>
<i>PKPP</i>	<i>Perbadanan Kemajuan Perusahaan Pertanian Negeri Pahang</i>
<i>LKPP Corp.</i>	<i>LKPP Corporation Sdn Bhd</i>
<i>KOSMA</i>	<i>Koperasi Serbausaha Makmur Berhad</i>
<i>PTSB</i>	<i>Prosper Trading Sdn Bhd</i>
<i>PPOM</i>	<i>Prosper Palm Oil Mill Sdn Bhd</i>
<i>RPOM</i>	<i>Rompin Palm Oil Mill Sdn Bhd</i>
<i>PGC</i>	<i>PGC Management Services Sdn Bhd</i>
<i>PPOPM</i>	<i>Prosper Palm Oil Products Marketing Sdn Bhd</i>
<i>WWSB</i>	<i>Wujud Wawasan Sdn Bhd</i>

Pursuant to paragraph 10.02 of the Listing Requirements, the parties related to the FEHB Group, which have recurrent transactions of a revenue or trading nature with the Group are as follows:-

Sales of fresh fruit bunches

Related Party	Nature of Transaction	Method of Pricing
KKSB	Sales of FFB by FEHB to KKSB and WWSB	Based on forward sales and MPOB pricing
WWSB	Sales of FFB between KKSB and WWSB	Based on forward sales and MPOB pricing
PPOM	Sales of FFB by KKSB to PPOM	Based on forward sales and MPOB pricing
RPOM	Sales of FFB by FEHB to RPOM	Based on forward sales and MPOB pricing
EPOM	Sales of FFB by FEHB to EPOM	Based on forward sales and MPOB pricing
Kilang Sawira Makmur	Sales of FFB by FEHB to Kilang Sawira Makmur	Based on forward sales and MPOB pricing
LKPP Corp.	Sales of FFB by FEHB to LKPP Corp.	Based on MPOB pricing

Purchases of fresh fruit bunches

Related Party	Nature of Transaction	Method of Pricing
FEHB	Purchases of FFB by KKSB from FEHB	Based on forward sales and MPOB pricing
KKSB	Purchases of FFB between KKSB and WWSB	Based on forward sales and MPOB pricing
PPOM	Purchases of FFB by KKSB from PPOM	Based on forward sales and MPOB pricing
RPOM	Purchases of FFB by KKSB from RPOM	Based on forward sales and MPOB pricing
KOSMA	Purchases of FFB by WWSB from KOSMA	Based on MPOB pricing

Sales of CPO

Related Party	Nature of Transaction	Method of Pricing
WWSB	Sales of CPO by KKSB to WWSB	Based on the contract price
KKSB	Sales of CPO by WWSB to KKSB	Based on the contract price
PPOM	Sales of CPO by KKSB and WWSB to PPOM	Based on the contract price
RPOM	Sales of CPO by KKSB and WWSB to RPOM	Based on the contract price
EPOM	Sales of CPO by KKSB and WWSB to EPOM	Based on the contract price
PGC	Sales of CPO by KKSB to PGC	Based on the forward sales and sales contract price
PPOPM	Sales of CPO by KKSB and WWSB to PPOPM	Based on the contract price
Kilang Sawira Makmur	Sales of CPO by KKSB to Kilang Sawira Makmur	Based on the contract price
FPSB	Sales of CPO by KKSB and WWSB to FPSB	Based on the contract price



RECURRENT RELATED PARTY TRANSACTIONS

Recurrent Related Party Transactions of a Revenue or Trading Nature (continued)

Purchases of CPO

Related Party	Nature of Transaction	Method of Pricing
KKSB	Purchases of CPO by WWSB from KKSB	Based on the contract price
WWSB	Purchases of CPO by KKSB from WWSB	Based on the contract price
PPOM	Purchases of CPO by KKSB and WWSB from PPOM	Based on the contract price
RPOM	Purchases of CPO by KKSB and WWSB from RPOM	Based on the contract price
EPOM	Purchases of CPO by KKSB and WWSB from EPOM	Based on the contract price
PPOPM	Purchases of CPO by KKSB and WWSB from PPOPM	Based on the contract price
Kilang Sawira Makmur	Purchases of CPO by KKSB and WWSB from Kilang Sawira Makmur	Based on the contract price

Sales of Kernel

Related Party	Nature of Transaction	Method of Pricing
KKSB	Sales of kernel by KKSB to WWSB	Based on the MPOB price
WWSB	Sales of kernel by WWSB to KKSB	Based on the MPOB price
PTSB	Sales of kernel by KKSB and WWSB to PTSB	Based on the MPOB price
EPOM	Sales of kernel by WWSB to EPOM	Based on the MPOB price
RPOM	Sales of kernel by KKSB and WWSB to RPOM	Based on the MPOB price
Kilang Sawira Makmur	Sales of kernel by WWSB to Kilang Sawira Makmur	Based on the MPOB price

Purchases of Kernel

Related Party	Nature of Transaction	Method of Pricing
KKSB	Purchases of kernel by KKSB from WWSB	Based on the MPOB price
WWSB	Purchases of kernel by WWSB from KKSB	Based on the MPOB price
EPOM	Purchases of kernel by WWSB from EPOM	Based on the MPOB price
Kilang Sawira Makmur	Purchases of kernel by WWSB from Kilang Sawira Makmur	Based on the MPOB price

Management fee

The management fee charged includes the management services for technical services, marketing services, administrations and accounting services.

Related Party	Nature of Transaction	Method of Pricing
PGC	Management fee charged by PGC to KKSB, WWSB and Kilang Sawira Makmur	Based on agreed contract agreement for the management services.

Purchases of Fertilizers

Related Party	Nature of Transaction	Method of Pricing
PTSB	Purchases of fertilisers by FEHB from PTSB	Based on the agreed fertiliser prices negotiated

RECURRENT RELATED PARTY TRANSACTIONS

Aggregate Value During the Financial Year

The aggregate value of the Recurrent Related Party Transactions made during the financial year ended 31 December 2016 is shown below:-

Related Party	RM'000
FEHB	65,100
KKSB	65,802
WWSB	676
PPOM	366
RPOM	18,538
EPOM	14,079
Kilang Sawira Makmur	62,889
LKPP Corp.	1,424
KOSMA	119,843
PGC	1,820
PPOPM	28,325
PTSB	19,463
FPSB	70,937
Total	469,262



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Board Responsibility

The Board of Directors is committed to maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets and to review its adequacy and integrity. The system of internal control covers not only financial matters but also operational, compliance and risk management.

The Board also recognises that a sound system of internal control can only reduce but not eliminate the possibility of poor judgment in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system could provide only reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss.

The Audit Committee of the Group, with the assistance of the Risk Management Committee, perform regular risk management assessments and through the Internal Audit Department, review the internal control processes, and evaluate the adequacy and effectiveness of the risk management and internal control system. The committee also seeks the observations of the independent external auditors of the Group.

Risk Management Framework

The Board with the assistance of the management undertook to identify the principal business risks in the critical areas of the Group, assessing the likelihood of material exposures and identifying the measures taken and the time frame to mitigate and minimise these risks. This was done through desktop reviews, interviews with the management and thorough deliberation and discussion among the Directors in the Board meetings.

The top five (5) business risks that were rated as High or Significant are as follows:-

1. Over-dependence on foreign workers
2. Fluctuation of Crude Palm Oil (CPO) prices
3. Oil Extraction Rate (OER) offered by mills
4. Investment risk; and
5. Increased in input price

After the review and taking into consideration the nature of the Group's business, the Directors are of the view that the Group is not materially exposed to legal and environmental risks and therefore have concluded to focus on the operational risks relevant to the business. Although there is exposure to market risk as a result of price fluctuations in the commodity market, the Directors consider these as movement in market forces inherent in the industry in which the Group operates.

The Internal Audit Function reviews the operational procedures and processes to ensure the effectiveness and integrity of the Group's internal control system.

Other Key Elements of Internal Control System

The other key elements of the Group's internal control system which has been reviewed by the Board are as follows:-

- **Board Meetings**

The Board meets at least quarterly and has a formal agenda on matters for discussion.

The Group Executive Chairman, together with the Executive Director, Plantations lead the presentations of Board papers and provide comprehensive explanation of pertinent issues.

In arriving at any decision, on recommendation by the management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a regular basis.

Other Key Elements of Internal Control System (continued)

- **Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority**

The Board is headed by the Group Executive Chairman who ensures the Group operates within its mission and established policies to enable the Group to meet its objectives in enhancing shareholders' wealth.

The monitoring and managing of the Group operations are delegated to its Executive Director, Plantations and General Manager who are actively involved in day-to-day operations of the Group.

There is a clearly defined organisation structure which outlines the responsibilities lines and authorities to ensure proper and clear delegation of responsibilities to Committees of the Board and to the management.

- **Performance Management Framework**

Comprehensive management reports covering the Group and Company's performance are presented to the Board at its regular meetings. The reports are consistently generated to update the Board and the management on the performance of various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group also has a detailed budgeting process with an annual budget approved by the Board. Actual results are reported monthly against budget and major variances are reviewed and corrective actions are taken, where necessary.

Internal Audit visits are systematically organised over a period, to monitor compliance with policies, procedures and assess the integrity of financial and operational information provided.

- **Operational Policies and Procedures**

The Group operates in accordance with a set of operational policies and procedures established by it. The operational policies and procedures are reviewed periodically to ensure that they remain effective and relevant to support the Group's business activities at all times as it continues to grow. The policies also facilitate compliance to regulations, listing and governance requirements. Management is responsible for the periodic review of operational policies and procedures.

- **Audit Committee and Internal Audit**

The Audit Committee was formed with a view to assist the Board in discharging its duties. The Audit Committee comprises non-executive members of the Board and review internal audit findings, discuss risk management plans and to ensure that weaknesses in controls highlighted are appropriately addressed by the management. The Internal Audit Function adopts a risk-based approach and is independent of the activities they audit. Their work is based on an annual audit plan approved by the Audit Committee and to ensure independence, the Head of Internal Audit reports directly to the Audit Committee.

The Internal Audit Function has the primary objective to carry out a review of the internal control system to determine whether the accounting and internal controls have been complied with and also make recommendations to strengthen the accounting and internal control system.

- **Review of Recurrent Related Party Transactions**

All recurrent related party transactions are dealt with in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad. The Board and the Audit Committee review the recurrent related party transactions annually.

- **Financial and Operating Manuals**

The Financial and Operating Manuals set out the policies and procedures for day-to-day operations and act as a guideline as to proper measures to be undertaken in a given set of circumstances. The Manuals enable tasks to be carried out within a set of flexible rules with minimal supervision.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Internal Control System (continued)

- **Financial Authority Limits**

The Financial Authority Limits defines the revenue and capital expenditure limits for each level of management within the Group. This internal control acts as a check and balance before financial expenditure is actually incurred.

- **Tender Committees**

The procurement of goods and services exceeding a prescribed limit is approved by the Tender Committees at the Head Office. A minimum number of three quotations are called for and tenders are awarded based on factors such as pricing, quality, reliability, track record and speed of delivery. The Tender Committees, therefore, ensure transparency in the award of contracts. The Group also has an Opening Tender Committee. Both committees comprise different officials.

- **Plantation Advisory Services**

The Plantation Advisory Services that is outsourced is entrusted with achieving and maintaining performance benchmarks for the Plantation sector. Any deviation from the agreed standards and poor performances in the estates are reported to Executive Director, Plantations and management for corrective measures to be taken.

- **Plantation Coordination Meeting**

As a pro-active measure to achieve greater co-operation and co-ordination to enhance productivity and quality, the Group has established plantation operations and management co-ordination meetings, which meet regularly.

- **Security Unit**

Security for the Group is enforced by in-house security unit which oversee all security issues faced by the business units within the Group and security guards personnel.

Continuous surveillance and improvement in security control had complemented the internal control system to safeguard the Group's assets against material loss.

The scheduled and random narcotic urine examination was accordingly performed with the Agensi Anti Dadah Kebangsaan (AADK) in order to ensure that a healthy environment within the Group's business units and close collaboration with PDRM are forged to ensure that the security of FEHB's property and personnel.

Weakness In Internal Control

There were no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

Based on the risk management and internal control system of the Group, the Board has been provided with a reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 29 March 2017.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 31 December 2016, the Group has used appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on an on going basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016 and Financial Reporting Standards in Malaysia.



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Independent Auditors' Report

DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors are pleased to submit their Annual Report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activities of the Company are cultivation of oil palms, productions and sales of fresh fruit bunches, crude palm oil and palm kernel and investment holding. The principal activities of the subsidiaries of the Group consist of oil palm plantations and palm oil mill. There have been no significant changes in these principal activities during the financial year.

Financial results

	Group RM	Company RM
Profit for the year attributable to owners of the Company	120,888,806	46,200,488

Dividends

The dividends on ordinary shares paid or declared by the Company since 31 December 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2015:	
Final single tier dividend of 15 sen per share on 141,390,000 ordinary shares paid on 29 June 2016	21,208,500
In respect of the financial year ended 31 December 2016:	
Interim single tier dividend of 10 sen per share on 141,390,000 ordinary shares paid on 16 December 2016	14,139,000
	35,347,500

The Directors now recommend the payment of a final single tier dividend of 20 sen per share and a special single tier dividend of 5 sen per share on 141,390,000 ordinary shares amounting to RM28,278,000 and RM7,069,500 respectively for the financial year ended 31 December 2016. The proposed dividends are subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.



DIRECTORS' REPORT

for the year ended 31 December 2016

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

YH Dato' Sri Kamaruddin bin Mohammed

YH Dato' Tan Bing Hua

YH Dato' Wan Bakri bin Wan Ismail

YH Dato' Jamaluddin bin Abd Majid

Mr Tee Kim Tee @ Tee Ching Tee

Mr Tee Cheng Hua

Encik Hashim Naina Merican bin Yahaya Merican

Mr Tee Lip Teng

Encik Nik Mohamed Zaki bin Nik Yusoff

In accordance with Article 97 of the Company's Articles of Association, YH Dato' Sri Kamaruddin bin Mohammed, Mr Tee Kim Tee @ Tee Ching Tee and Mr Tee Cheng Hua retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965 the Directors over the age of seventy years are required to offer themselves for re-appointment annually. YH Dato' Tan Bing Hua who reached 70 years offers himself for re-election at the forthcoming Annual General Meeting and to hold office until the conclusion of the next Annual General Meeting of the Company.

Directors' benefits

During and at the end of the year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than Directors' remunerations disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 25 to the financial statements.

Directors' interests in shares

According to the register of directors' shareholdings, particulars of interests of Directors who held office at the end of the year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM1 each			
	1.1.2016	Bought	Sold	31.12.2016
Direct interest - in the Company				
YH Dato' Sri Kamaruddin bin Mohammed	2,700,000	-	-	2,700,000
Mr Tee Kim Tee @ Tee Ching Tee	4,755,900	-	-	4,755,900
Mr Tee Cheng Hua	2,124,000	-	-	2,124,000
Encik Hashim Naina Merican bin Yahaya Merican	10,000	-	-	10,000
Mr Tee Lip Teng	300,000	-	-	300,000



Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			
	1.1.2016	Bought	Sold	31.12.2016
Indirect interest – in the Company				
YH Dato' Sri Kamaruddin bin Mohammed	600,000	-	-	600,000
YH Dato' Tan Bing Hua	44,000	-	-	44,000

Other than disclosed above, according to the register of directors' shareholdings, the other Directors in office at the end of the year did not hold any interest in shares in the Company and its related corporations during the year.

The Directors by virtue of their interest in shares of the Company are also deemed to have interest in shares of the Company's subsidiaries to the extent that the Company has an interest.

Statutory information on the financial statements

Before the statements of profit or loss and other comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- any contingent liability of the Group or of the Company, which has arisen since the end of the year.

DIRECTORS' REPORT

for the year ended 31 December 2016

Statutory information on the financial statements (continued)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading other than the material litigation as disclosed in Note 30 to the financial statements.


In the opinion of the Directors:

- the profits of the Group's and of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature other than gain on disposal of land in one of the associates of which RM41,000,000 was recognised as part of the share of profit in the associates; and
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the profits of the operations of the Group or of the Company for the year in which this report is made.

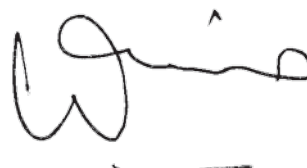
Auditors

The auditors, McMillan Woods Thomas, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 29 March 2017.



Dato' Sri Kamaruddin bin Mohammed
Group Executive Chairman



Tee Cheng Hua
Executive Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Continuing operations					
Revenue	4	357,162,994	327,736,280	78,850,819	70,066,681
Other operating income		4,112,845	4,998,548	1,064,775	2,308,306
Amortisation of amounts due from subsidiaries		-	-	1,771,519	1,678,382
Reversal of impairment loss		-	-	443,577	-
Loss on initial recognition of amounts due from subsidiaries		-	-	(558,960)	(1,111,969)
Staff costs		(15,769,162)	(14,380,430)	(3,490,169)	(2,931,554)
Changes in inventories		(868,019)	(262,257)	-	-
Finished goods purchased		(9,032,383)	(14,808,436)	-	-
Raw material purchased		(142,184,155)	(120,107,271)	-	-
Production cess		(933,978)	(1,126,551)	-	-
Carriage outwards		(4,374,250)	(5,476,709)	-	-
Upkeep, repair and maintenance of assets		(3,958,038)	(4,976,938)	-	-
Utilities and fuel		(1,445,890)	(1,410,033)	-	-
Depreciation		(11,596,513)	(10,575,834)	(3,579,291)	(3,118,103)
Upkeep and cultivation		(31,710,171)	(30,887,474)	(10,180,441)	(9,151,306)
Harvesting		(19,330,495)	(21,377,330)	(5,497,669)	(5,690,514)
Estate general charges		(9,120,465)	(8,350,824)	(3,168,686)	(2,717,351)
Replanting expenses		(4,105,068)	(3,783,879)	-	-
Other operating expenses		(17,075,088)	(17,017,021)	(4,224,942)	(3,662,901)
Finance income		2,918,361	6,350,787	1,570,485	3,993,534
Finance cost		(5,239)	(1,201)	-	-
Share of profit after tax of equity accounted associates		57,917,120	17,810,228	-	-
Profit before tax	5	150,602,406	102,353,655	53,001,017	49,663,205
Tax expenses	7	(21,822,290)	(21,701,254)	(6,800,529)	(6,386,037)
Profit for the year		128,780,116	80,652,401	46,200,488	43,277,168
Profit for the year attributable to:					
Owners of the Company		120,888,806	71,281,687	46,200,488	43,277,168
Non-controlling interests		7,891,310	9,370,714	-	-
		128,780,116	80,652,401	46,200,488	43,277,168



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the year		128,780,116	80,652,401	46,200,488	43,277,168
Other comprehensive income					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
- Surplus from revaluation of leasehold land and oil palm plantation	22	-	109,275,977	-	43,346,944
- Transfer from deferred tax		5,303,000	-	1,626,000	-
- Transfer from revaluation reserve		4,233,673	2,999,685	1,376,317	914,817
- Transfer to retained earnings		(4,233,673)	(2,999,685)	(1,376,317)	(914,817)
		5,303,000	109,275,977	1,626,000	43,346,944
<u>Item that may be reclassified subsequently to profit or loss:</u>					
- “Available for sale” - fair value gain		272,143	782,411	-	-
Other comprehensive income for the year		5,575,143	110,058,388	1,626,000	43,346,944
Total comprehensive income for the year		134,355,259	190,710,789	47,826,488	86,624,112
Total comprehensive income attributable to:					
Owners of the Company		126,463,949	174,211,075	47,826,488	86,624,112
Non-controlling interests		7,891,310	16,499,714	-	-
		134,355,259	190,710,789	47,826,488	86,624,112
Earnings per share attributable to equity holders of the Company (sen)					
- basic	8	85.50	50.41		

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non current assets					
Property, plant and equipment	10	842,990,023	839,517,232	293,537,380	288,095,374
Land held for disposal	11	22,412,539	22,412,539	22,412,539	22,412,539
Subsidiaries	12	-	-	42,499,349	42,499,349
Associates	13	375,640,593	320,583,473	89,675,168	89,675,168
Other financial assets	14	3,000,000	3,000,000	3,000,000	3,000,000
		1,244,043,155	1,185,513,244	451,124,436	445,682,430
Current assets					
Other financial assets	14	3,244,792	165,182	-	-
Inventories	15	3,907,794	5,290,330	76,156	64,673
Receivables, deposits and prepayments	16	67,439,837	56,972,464	84,042,284	89,068,213
Tax recoverable		1,864,736	1,490,496	-	309,963
Deposits, cash and bank balances	17	289,050,734	276,004,017	153,813,503	151,280,672
		365,507,893	339,922,489	237,931,943	240,723,521
Less: Current liabilities					
Payables	18	40,053,121	28,944,051	7,890,759	2,844,885
Dividend payable		-	14,139,000	-	14,139,000
Hire purchase creditor		35,551	34,602	-	-
Current tax liabilities		3,332,360	874,584	1,707,566	-
		43,421,032	43,992,237	9,598,325	16,983,885
Net current assets		322,086,861	295,930,252	228,333,618	223,739,636
Less: Non current liabilities					
Deferred tax liabilities	19	161,099,198	166,157,138	52,190,000	54,633,000
Hire purchase creditor		22,782	58,731	-	-
		161,121,980	166,215,869	52,190,000	54,633,000
Total net assets		1,405,008,036	1,315,227,627	627,268,054	614,789,066
Capital and reserves attributable to owners of the Company					
Share capital	20	141,390,000	141,390,000	141,390,000	141,390,000
Share premium	21	47,997,970	47,997,970	44,947,244	44,947,244
Revaluation reserves	22	403,903,540	402,834,213	125,092,269	124,842,586
Retained earnings	23	735,677,752	645,630,630	315,838,541	303,609,236
Shareholders' equity		1,328,969,262	1,237,852,813	627,268,054	614,789,066
Non-controlling interests		76,038,774	77,374,814	-	-
Total equity		1,405,008,036	1,315,227,627	627,268,054	614,789,066

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

Group	Note	Attributable to owners of the Company					Non-controlling interest		Total equity
		Share capital (Note 20) RM	Share premium (Note 21) RM	Revaluation reserves (Note 22) RM	Retained earnings RM	Total RM	RM	RM	
At 31 December 2014		141,390,000	47,997,970	303,686,921	612,983,847	1,106,058,738	70,297,450	1,176,356,188	
Total comprehensive income		-	-	99,147,292	75,063,783	174,211,075	16,499,714	190,710,789	
Dividends for the year ended									
- 31 December 2014	9	-	-	-	(28,278,000)	(28,278,000)	(9,422,350)	(37,700,350)	
- 31 December 2015	9	-	-	-	(14,139,000)	(14,139,000)	-	(14,139,000)	
At 31 December 2015		141,390,000	47,997,970	402,834,213	645,630,630	1,237,852,813	77,374,814	1,315,227,627	
At 31 December 2015		141,390,000	47,997,970	402,834,213	645,630,630	1,237,852,813	77,374,814	1,315,227,627	
Total comprehensive income		-	-	1,069,327	125,394,622	126,463,949	7,891,310	134,355,259	
Dividends for the year ended									
- 31 December 2015	9	-	-	-	(21,208,500)	(21,208,500)	(9,227,350)	(30,435,850)	
- 31 December 2016	9	-	-	-	(14,139,000)	(14,139,000)	-	(14,139,000)	
At 31 December 2016		141,390,000	47,997,970	403,903,540	735,677,752	1,328,969,262	76,038,774	1,405,008,036	



STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016

Company	Note	Share capital (Note 20) RM	Share premium (Note 21) RM	Revaluation reserves (Note 22) RM	Retained earnings (Note 23) RM	Total RM
At 31 December 2014		141,390,000	44,947,244	82,410,459	301,834,251	570,581,954
Total comprehensive income		-	-	42,432,127	44,191,985	86,624,112
Dividends for the year ended						
- 31 December 2014	9	-	-	-	(28,278,000)	(28,278,000)
- 31 December 2015	9	-	-	-	(14,139,000)	(14,139,000)
At 31 December 2015		141,390,000	44,947,244	124,842,586	303,609,236	614,789,066
At 31 December 2015		141,390,000	44,947,244	124,842,586	303,609,236	614,789,066
Total comprehensive income		-	-	249,683	47,576,805	47,826,488
Dividends for the year ended						
- 31 December 2015	9	-	-	-	(21,208,500)	(21,208,500)
- 31 December 2016	9	-	-	-	(14,139,000)	(14,139,000)
At 31 December 2016		141,390,000	44,947,244	125,092,269	315,838,541	627,268,054

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Operating activities					
Profit for the year attributable to owners of the Company		120,888,806	71,281,687	46,200,488	43,277,168
Adjustments for:					
Non-controlling interests		7,891,310	9,370,714	-	-
Property, plant and equipment					
- depreciation		11,596,513	10,575,834	3,579,291	3,118,103
- gain on disposal		(158,892)	(153,582)	(157,006)	(119,999)
- written off		2,039	9,914	830	2,796
Share of profit of associates		(57,917,120)	(17,810,228)	-	-
Loss on initial recognition		-	-	558,960	1,111,969
Amortisation of receivable		-	-	(1,771,519)	(1,678,382)
Dividend income		-	-	(22,005,705)	(24,593,682)
Interest expenses		5,239	1,201	-	-
Interest income		(2,918,361)	(6,350,787)	(1,570,485)	(3,993,534)
Tax expense		21,822,290	21,701,254	6,800,529	6,386,037
Operating profit before working capital		101,211,824	88,626,007	31,635,383	23,510,476
Changes in working capital:					
- inventories		1,382,536	140,931	(11,483)	9,991
- receivables, deposits and prepayments		(18,324,131)	12,406,324	(3,824,646)	13,868,190
- subsidiaries		-	-	2,303,250	(9,502,298)
- payables		11,109,070	(583,745)	5,024,757	417,188
Cash from operations		95,379,299	100,589,517	35,127,261	28,303,547
Interest paid		(5,239)	(1,201)	-	-
Interest received		2,838,751	6,305,303	1,570,485	3,993,534
Tax refunded		425,713	1,892,863	-	-
Tax paid		(19,919,407)	(21,493,768)	(5,600,000)	(6,500,000)
Net cash flow from operating activities		78,719,117	87,292,714	31,097,746	25,797,081



STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM	RM	RM	RM
Investing activities					
Property, plant and equipment					
- purchase		(7,214,798)	(10,475,706)	(1,241,338)	(2,845,512)
- proceed from disposal		159,105	153,585	157,218	120,000
Purchase of investment		(6,000,000)	(3,000,000)	-	(3,000,000)
Proceed from disposal of investment		3,000,000	3,000,000	-	-
Dividend received		3,132,143	4,225,000	22,005,705	24,593,682
Net cash flow (used in)/from investing activities		(6,923,550)	(6,097,121)	20,921,585	18,868,170
Financing activities					
Hire purchase paid		(35,000)	(11,667)	-	-
Dividend paid		(58,713,850)	(37,700,350)	(49,486,500)	(28,278,000)
Net cash flow used in financing activities		(58,748,850)	(37,712,017)	(49,486,500)	(28,278,000)
Net increase in cash and cash equivalents		13,046,717	43,483,576	2,532,831	16,387,251
Cash and cash equivalents					
- at start of the year		276,004,017	232,520,441	151,280,672	134,893,421
- at end of the year	17	289,050,734	276,004,017	153,813,503	151,280,672

The accompanying notes form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 General information

The principal activities of the Company are cultivation of oil palms, productions and sales of fresh fruit bunches, crude palm oil and palm kernel and investment holding. The principal activities of the subsidiaries of the Group consist of oil palm plantations and palm oil mill.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Suite 5 & 6, Tingkat 8, Kompleks Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur.

The financial statements are presented in Ringgit Malaysia, which is its functional currency.

2 Basis of preparation of financial statements

The financial statements of the Group and of the Company are prepared under the historical cost basis unless otherwise indicated in the individual policy statements in Note 3 to the financial statements and comply with Financial Reporting Standards and the requirements of the Companies Act, 1965.

The preparation of financial statements are in conformity with the requirements of the Companies Act, 1965 and the Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual result may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 28 to the financial statements.

3 Summary of significant accounting policies

The principal accounting policies adopted are set out below:

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and oil palm plantations are subsequently shown at revalued amount, based on valuation at regular interval of once every five years carried out by a firm of independent external valuers, less subsequent depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the statement of profit or loss during the period in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

3 Summary of significant accounting policies (continued)

(a) Property, plant and equipment (continued)

Long-term leasehold land is amortised in equal instalments over the period of the leases ranging from 73 to 96 years. Oil palm plantations are not depreciated. Other property, plant and equipment are depreciated on the straight line basis to allocate the cost of each asset, or its revalued amount, to its residual value over its estimated useful life as follows:

	%
Buildings	10
Plant and machinery	20
Motor vehicles, furniture, fixtures and equipment	20 – 33.33

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

At each year-end date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(g) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operation in the income statement.

Depreciation on assets under construction commences when the assets are ready for their intended use.

(b) Estate planting expenditure

New planting

Planting expenditure of new oil palm plantations will be capitalised as immature plantation cost and shown as property, plant and equipment. As and when the new oil palm plantations mature the capitalisation of planting expenditure will cease.

Replanting

Replanting of oil palm is charged to statement of profit or loss as replanting expenses as and when incurred.

(c) Non-current assets held for sale

Non-current assets are classified as held for sale if there has been a change in management intentions in respect of the future use of the asset or disposal group, and hence the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

On initial classification as held for sale, non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Immediately before the initial classification as held for sale, the carrying amount of non-current assets is measured in accordance with the applicable FRSs.

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less costs to sell. Any subsequent increase in fair value less costs to sell is recognised as a gain in profit or loss, to the extent of the cumulative impairment loss that had previously been recognised.



3 Summary of significant accounting policies (continued)

(d) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to the end of the financial year. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial period as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries is accounted for by applying the purchase method. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition is reflected as goodwill. If the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss.

(iii) Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from owner shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal of non-controlling interests is recognised directly in equity.

3 Summary of significant accounting policies (continued)

(e) Associates

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses.

Associates are entities in which the Group is in the position to exercise significant influence, but it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's shares of its associates' post acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the assets transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(f) Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See Note 3(g) on impairment of non-financial assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the statement of profit or loss.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets and liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(k) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

As required by law, companies incorporated in Malaysia make contribution to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statement of profit or loss as incurred.

3 Summary of significant accounting policies (continued)

(l) Financial instruments

(i) Financial assets

Financial assets are recognised in the statements of financial position when the Group and Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

Financial Assets at "Fair Value Through Profit or Loss"

Financial assets are classified as at "fair value through profit or loss" when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as at "fair value through profit or loss".

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

After initial recognition, financial assets at "fair value through profit or loss" are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

Derecognition of Financial Assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group and Company transfer the financial assets and the transfers qualify for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.



3 Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of Financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that financial assets held, other than financial assets at 'fair value through profit or loss', are impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

For other financial assets, objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain categories of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

(ii) Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Group and Company become a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at "fair value through profit or loss".

After initial recognition, financial liabilities are either classified as at "fair value through profit or loss" or amortised cost using the effective interest method.

Derecognition of Financial Liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

(m) Share capital

Ordinary shares are classified as equity. Dividends to shareholders are recognised in equity in the period in which they are paid or right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised upon delivery of products and customer acceptance net of discounts, if any, and after eliminating sales within the Group.

Dividend income is recognised when the Group's right to receive payment is established.

Income from rental and interest are recognised on accrual basis.

4 Revenue

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Sales of fresh fruit bunches	112,372,010	89,196,597	56,845,114	45,472,999
Sales of crude palm oil and palm kernel	244,790,984	238,539,683	-	-
Dividend income	-	-	22,005,705	24,593,682
	357,162,994	327,736,280	78,850,819	70,066,681

Dividend income of the Company is excluding RM17,292,428 (2015: RM17,292,428) declared by its subsidiary, Kampong Aur Oil Palm Company (Sdn.) Berhad, for the shares issued by the later to the Company which is disputed and under an on-going legal proceeding. The status of the litigation is as disclosed in Note 30 to the financial statements.

5 Profit before tax

(a) The following items have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit				
current year	197,000	172,000	55,000	50,000
previous year	-	34,000	-	10,000
- assurance related services	43,000	43,000	43,000	43,000
Property, plant and equipment:				
- written off	2,039	9,914	830	2,796
- gain on disposal	(158,892)	(153,582)	(157,006)	(119,999)
Cost of contract workers	51,587	47,754	-	-
Rental of land	489,652	489,652	-	-
Rental income	(183,327)	(118,398)	(80,390)	(82,398)



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

5 Profit before tax (continued)

(b) Employee benefits cost

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries, bonus and other benefits	14,109,695	12,738,161	3,062,580	2,516,213
Defined contribution plans	1,700,267	1,642,269	427,589	415,341
	15,809,962	14,380,430	3,490,169	2,931,554

6 Key management personnel compensation

(a) Directors

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Directors of the Company				
Non-executive Directors				
- Fees	760,000	718,767	490,000	448,767
- Other emoluments	-	-	-	-
	760,000	718,767	490,000	448,767
Executive Directors				
- Fees	880,000	880,000	220,000	220,000
- Other emoluments	1,858,900	1,521,763	1,478,100	1,163,363
	2,738,900	2,401,763	1,698,100	1,383,363
Directors of subsidiaries				
Non-executive Directors				
- Fees	880,000	895,000	-	-
Total	4,378,900	4,015,530	2,188,100	1,832,130

(b) Other key management personnel

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries, bonus and other benefits	1,584,693	1,482,633	1,089,703	1,021,453
Defined contribution plans	213,968	199,428	163,456	152,775
Total	1,798,661	1,682,061	1,253,159	1,174,228

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

7 Tax expenses

(a) Tax charge for the year

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysian income tax	21,577,230	21,354,754	7,617,529	6,341,037
Deferred tax (Note 19)	245,060	346,500	(817,000)	45,000
Tax expenses	21,822,290	21,701,254	6,800,529	6,386,037
Share of tax of equity accounted associates	7,524,852	7,317,394	-	-
Total tax expense	29,347,142	29,018,648	6,800,529	6,386,037
Malaysian income tax				
Current year	21,687,413	21,532,085	7,750,000	6,500,000
Over accrued in previous years	(110,183)	(177,331)	(132,471)	(158,963)
	21,577,230	21,354,754	7,617,529	6,341,037
Deferred tax				
Temporary differences	245,060	346,500	(817,000)	45,000
Tax expenses	21,822,290	21,701,254	6,800,529	6,386,037

(b) Numerical reconciliation of income tax expense

The explanation on the difference in the tax on the Group's and Company's profit and the theoretical amount that would arise using the statutory income tax rate of Malaysia is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the year	128,780,116	80,652,401	46,200,488	43,277,168
Total tax expenses	29,347,142	29,018,648	6,800,529	6,386,037
	158,127,258	109,671,049	53,001,017	49,663,205
Tax calculated at the tax rate of 24% (2015: 25%)	37,950,542	27,417,762	12,720,244	12,415,801
Tax effect of:				
- expenses not deductible for tax purposes	2,271,548	2,077,919	73,044	277,620
- over accrued in previous years	(53,908)	(177,331)	(132,471)	(158,963)
- benefits from utilisation of reinvestment allowance	(108,831)	(112,432)	-	-
- effect of change in tax rate from 25% to 24%	(1,309,100)	-	(559,000)	-
- deferred tax asset not recognised	436,955	-	-	-
- income not taxable	(9,840,064)	(187,270)	(5,301,288)	(6,148,421)
Total tax expenses	29,347,142	29,018,648	6,800,529	6,386,037



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

8 Earnings per share

Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2016	2015
Profit attributable to equity holders of the Company (RM)	120,888,806	71,281,687
Weighted average number of ordinary shares in issue	141,390,000	141,390,000
Basic earnings per share (sen)	85.50	50.41

9 Dividends

Dividends declared or proposed for year ended 31 December 2016 are as follows:

	Group and Company			
	31.12.2016		31.12.2015	
	Single tier dividend per share Sen	Amount of single tier dividend RM	Single tier dividend per share Sen	Amount of single tier dividend RM
Declared				
- interim single tier dividend	10.0	14,139,000	10.0	14,139,000
Proposed				
- final single tier dividend	20.0	28,278,000	15.0	21,208,500
- special single tier dividend	5.0	7,069,500	-	-
	35.0	49,486,500	25.0	35,347,500
Dividend per share recognised as distribution to ordinary equity holders of the Company				
31 December 2014				
- paid during the year	-	-	20.0	28,278,000
31 December 2015				
- paid during the year	-	-	10.0	14,139,000
31 December 2015				
- paid during the year	15.0	21,208,500	-	-
31 December 2016				
- paid during the year	10.0	14,139,000	-	-
	25.0	35,347,500	30.0	42,417,000

Interim single tier dividend of 10 sen per share on 141,390,000 ordinary shares totalling RM14,139,000 for the financial year ended 31 December 2016 was paid on 16 December 2016.

At the forthcoming Annual General Meeting, a final single tier dividend of 20 sen per share and a special single tier dividend of 5 sen per share on 141,390,000 ordinary shares amounting to RM28,278,000 and RM7,069,500 respectively will be proposed for shareholders' approval.

The proposed dividend are subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividend. Such dividend if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

10 Property, plant and equipment

Group	Long term leasehold land RM	Oil palm plantations RM	Buildings RM	Plant and machinery RM	Motor vehicles, furniture, equipment RM	Assets under construction RM	Total RM
Carrying amounts at 31 December 2014							
Additions	314,083,118	340,030,448	16,374,904	11,929,864	2,487,575	5,241,227	690,147,136
Revaluation surplus	3,698,278	5,685,558	612,380	1,142,420	1,482,232	1,634,002	14,254,870
Reclassification	76,325,246	69,375,731	-	-	-	-	145,700,977
Written off	-	4,528,015	811,142	200,825	-	(5,539,982)	-
Disposal	-	-	(5,734)	(350)	(3,830)	-	(9,914)
Depreciation charge	(4,402,825)	-	-	(1)	(2)	-	(3)
			(1,946,782)	(2,964,908)	(1,261,319)	-	(10,575,834)
Carrying amounts at 31 December 2015							
Additions	389,703,817	419,619,752	15,845,910	10,307,850	2,704,656	1,335,247	839,517,232
Reclassification	7,856,758	2,917,457	1,446,603	1,240,602	909,957	700,179	15,071,556
Written off	-	-	1,837,960	388,654	(197,855)	(2,028,759)	-
Disposal	-	-	(1)	(1,027)	(1,011)	-	(2,039)
Depreciation charge	(5,636,813)	-	-	-	(213)	-	(213)
			(2,144,298)	(2,642,144)	(1,173,258)	-	(11,596,513)
Carrying amounts at 31 December 2016							
	391,923,762	422,537,209	16,986,174	9,293,935	2,242,276	6,667	842,990,023
At 31 December 2015							
Cost	472,672	-	36,385,085	53,579,278	12,665,139	1,335,247	104,437,421
Valuation	389,270,539	419,619,752	-	-	-	-	808,890,291
Accumulated depreciation	(39,394)	-	(20,539,175)	(43,271,428)	(9,960,483)	-	(73,810,480)
Carrying amounts	389,703,817	419,619,752	15,845,910	10,307,850	2,704,656	1,335,247	839,517,232
At 31 December 2016							
Cost	8,329,430	2,917,457	39,225,197	48,383,083	11,226,678	6,667	110,088,512
Valuation	389,270,539	419,619,752	-	-	-	-	808,890,291
Accumulated depreciation	(5,676,207)	-	(22,239,023)	(39,089,148)	(8,984,402)	-	(75,988,780)
Carrying amounts	391,923,762	422,537,209	16,986,174	9,293,935	2,242,276	6,667	842,990,023



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

10 Property, plant and equipment (continued)

Company	Long term leasehold land RM	Oil palm plantations RM	Buildings RM	Plant and machinery RM	Motor vehicles, furniture, equipment RM	Assets under construction RM	Total RM
Carrying amounts at 31 December 2014							
Additions	115,904,522	105,279,630	4,269,549	380,572	975,081	91,300	226,900,654
Reclassification	3,698,078	871,473	292,060	71,605	1,073,862	512,598	6,519,676
Revaluation surplus	-	-	306,230	-	-	(306,230)	-
Disposal	28,697,076	29,098,868	-	-	-	-	57,795,944
Written off	-	-	-	-	(1)	-	(1)
Depreciation charge	(1,569,137)	-	(2)	-	(2,794)	-	(2,796)
			(701,363)	(198,116)	(649,487)	-	(3,118,103)
Carrying amounts at 31 December 2015							
Additions	146,730,539	135,249,971	4,166,474	254,061	1,396,661	297,668	288,095,374
Intragroup transfer	7,856,758	-	211,960	12,738	758,222	258,418	9,098,096
Reclassification	-	-	-	-	(75,757)	-	(75,757)
Disposal	-	-	556,087	(73)	72	(556,086)	-
Written off	-	-	-	-	(212)	-	(212)
Depreciation charge	(2,030,637)	-	(1)	(783)	(46)	-	(830)
			(776,034)	(99,833)	(672,787)	-	(3,579,291)
Carrying amounts at 31 December 2016							
	152,556,660	135,249,971	4,158,486	166,110	1,406,153	-	293,537,380
At 31 December 2015							
Cost	-	-	9,290,381	2,914,103	6,140,064	297,668	18,642,216
Valuation	146,730,539	135,249,971	-	-	-	-	281,980,510
Accumulated depreciation	-	-	(5,123,907)	(2,660,042)	(4,743,403)	-	(12,527,352)
Carrying amounts	146,730,539	135,249,971	4,166,474	254,061	1,396,661	297,668	288,095,374
At 31 December 2016							
Cost	7,856,758	-	9,613,976	2,903,045	5,642,835	-	26,016,614
Valuation	146,730,539	135,249,971	-	-	-	-	281,980,510
Accumulated depreciation	(2,030,637)	-	(5,455,490)	(2,736,935)	(4,236,682)	-	(14,459,744)
Carrying amounts	152,556,660	135,249,971	4,158,486	166,110	1,406,153	-	293,537,380



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

10 Property, plant and equipment (continued)

On 31 December 2015, independent qualified valuer had revalued the leasehold land and oil palm plantations to their open market value using the investment method.

Details of independent professional valuation of leasehold land and oil palm plantations owned by the Group at 31 December 2016 are as follows:

Year of valuation	Description of Property	Amount RM	Basis of Valuation
2000	Leasehold land and oil palm plantations	230,177,024	Open market value
2005	Leasehold land and oil palm plantations	387,880,100	Open market value
2010	Leasehold land and oil palm plantations	649,234,672	Open market value
2015	Leasehold land and oil palm plantations	808,115,900	Open market value

11 Land held for disposal

These land are presented as non-current assets even though their recovery are by way of sale since the Company has yet to enter into any formal sale and purchase agreement for their disposal.

12 Subsidiaries

	Company 2016 RM	2015 RM
Unquoted shares, at cost:		
- at start and end of the year	42,499,349	42,499,349

Details of the subsidiaries, all of which are unquoted, are as follows:

Name of Company	Country of incorporation	Effective interest of the Group				Principal activities
		Company 2016 %	2015 %	Subsidiary 2016 %	2015 %	
Dawn Oil Palm Plantations Sdn Bhd	Malaysia	100	100	-	-	Oil palm plantations
B.S. Oil Palm Plantations Sdn Bhd	Malaysia	100	100	-	-	Oil palm plantations
Spectacular Potential Sdn Bhd	Malaysia	100	100	-	-	Investment holding
Inai Prisma Sdn Bhd	Malaysia	100	100	-	-	Dormant company
Kampong Aur Oil Palm Company (Sdn.) Berhad	Malaysia	83	83	-	-	Oil palm plantations
Madah Perkasa Sdn Bhd #	Malaysia	-	-	83	83	Oil palm plantations
Far East Delima Plantations Sdn Bhd	Malaysia	80	80	-	-	Oil palm plantations
F.E. Rangkaian Sdn Bhd	Malaysia	70	70	-	-	Oil palm plantations
Kilang Kosfarm Sdn Bhd	Malaysia	51	51	-	-	Palm oil mill

Wholly owned subsidiary of Kampong Aur Oil Palm Company (Sdn.) Berhad.

All subsidiaries are audited by McMillan Woods Thomas.



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

13 Associates

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At cost				
Unquoted shares	66,464,400	66,464,400	103,358,781	103,358,781
Accumulated impairment loss	-	-	(13,683,613)	(13,683,613)
	66,464,400	66,464,400	89,675,168	89,675,168
Share of post acquisition reserve	309,176,193	254,119,073	-	-
	375,640,593	320,583,473	89,675,168	89,675,168

Details of the associates, all of which are unquoted and incorporated in Malaysia, are as follows:

Name of company	Principal activities	Interest of equity held by			
		Company		Subsidiary	
		2016	2015	2016	2015
		%	%	%	%
* Prosper Palm Oil Mill Sdn Berhad	Operating of palm oil mill and oil palm plantation	40.0	40.0	-	-
* Business & Budget Hotels (Kuantan) Sdn Bhd	Hotel and resort operator	36.2	36.2	-	-
# Future Prelude Sdn Bhd	Manufacturing and exporting of palm oil, fatty acids and chemicals compounds or derivatives	47.2	47.2	-	-
* Jaspurna Holdings Sdn Bhd	Investment holding	-	-	@45.0	@45.0
* PGC Management Services Sdn Bhd	Marketing of crude palm oil and management services	-	-	@30.0	@30.0

Audited by McMillan Woods Thomas

* Audited by other firms of auditors

@ Shares held by Kilang Kosfarm Sdn Bhd

All the associates are accounted for using equity accounting method.

(a) Aggregate information of associates that are not individually material are as follows:

	Group	
	2016	2015
	RM	RM
The Group share of (loss)profit after tax	(206,518)	1,973,001
The Group share of total comprehensive income	65,625	2,755,412
Carrying value of Group's interest in associates	49,325,004	50,391,522

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

13 Associates (continued)

- (b) Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information represents the amounts of the financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statements of financial position

	Prosper Palm Oil Mill Sdn Berhad	
	2016	2015
	RM	RM
Non-current assets	737,891,197	606,358,708
Current assets	104,952,665	99,899,724
Total assets	842,843,862	706,258,432
Non-current liabilities	8,667,156	13,067,926
Current liabilities	18,387,730	17,710,627
Total liabilities	27,054,886	30,778,553
Net assets	815,788,976	675,479,879

(ii) Summarised statements of comprehensive income

	Prosper Palm Oil Mill Sdn Berhad	
	2016	2015
	RM	RM
Revenue	105,953,660	153,953,324
Profit before tax	163,576,190	56,351,733
Total comprehensive income	145,309,097	39,953,069

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate:

	Prosper Palm Oil Mill Sdn Berhad	
	2016	2015
	RM	RM
Net assets as at 1 January	675,479,879	645,886,810
Profit for the year	145,309,097	39,593,069
Dividend paid	(5,000,000)	(10,000,000)
Net assets as at 31 December	815,788,976	675,479,879
Interest in associate	40%	40%
Carrying value of Groups interest in associate	326,315,589	270,191,951



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

14 Other financial assets

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Unquoted investment at cost	3,000,000	-	3,000,000	-
Held to maturity investment				
Redeemable Convertible Non- Cumulative Preference Share	-	3,000,000	-	3,000,000
Current				
Financial assets at “fair value through profit or loss”				
Investment in fund management	3,244,792	165,182	-	-

15 Inventories

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At cost				
Finished goods	2,774,016	3,839,659	-	-
Raw material	268,680	71,056	-	-
Nurseries	353,594	656,609	-	-
Consumables	511,504	723,006	76,156	64,673
	3,907,794	5,290,330	76,156	64,673

16 Receivables, deposits and prepayments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	26,203,068	16,048,010	7,145,682	3,290,199
Other receivables	2,710,180	2,954,912	1,264,727	1,292,896
Deposits	13,996,150	21,854,396	13,940,197	21,798,700
Prepayments	16,343	10,076	4,554	5,477
Amounts due from subsidiaries	-	-	61,687,124	62,680,941
Amounts due from associates	24,514,096	16,105,070	-	-
	67,439,837	56,972,464	84,042,284	89,068,213

Credit term of trade receivables to the Group and to the Company is 30 days (2015: 30 days).

Included in deposits is RM13,789,062 (2015: RM21,645,820) paid to Pengarah Tanah dan Galian Pahang and Pentadbir Tanah Daerah Pekan for the alienation of 2,125.073 acres (2015: 3,333.805 acres) of land. The amount will be reflected as land once the Company obtained the land title deed from the relevant authority.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

16 Receivables, deposits and prepayments (continued)

The amounts due from subsidiaries are advances, which are unsecured, free of interest and refundable on demand except for RM17,537,150 (2015: RM16,034,630) repayable in 2 to 4 years (2015: 2 to 4 years).

The amounts due from associates are in respect of trading and repayable within the normal credit period.

17 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits with licensed banks	252,435,886	210,887,035	146,178,705	143,114,548
Deposit with other corporation	2,500,000	4,000,000	-	-
Cash and bank balances	34,114,848	61,116,982	7,634,798	8,166,124
	289,050,734	276,004,017	153,813,503	151,280,672

The effective weighted average interest/profit rates of the deposits at the end of the year were as follows:

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Deposit with other corporation	3.30	3.70	-	-
Deposits with licensed banks	3.39	3.18	3.70	3.15

As at 31 December 2016, the deposits of the Group and of the Company have maturity periods between 30 to 90 days (2015: 30 to 90 days). Bank balances are deposits held at call with banks.

Included in fixed deposit with licensed banks of the Group and the Company is RM91,971,412 (2015: RM91,971,412) deposited in accordance with the Consent Order from the Court of Appeal (Note 30).

18 Payables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables	21,273,828	17,051,608	280,916	224,477
Other payables	10,231,591	4,582,506	4,518,980	534,848
Deposits	21,000	5,000	5,000	5,000
Accruals	8,060,115	7,124,730	3,055,385	2,071,199
Amounts due to subsidiaries	-	-	30,478	9,361
Amounts due to associates	466,587	180,207	-	-
	40,053,121	28,944,051	7,890,759	2,844,885

Credit terms of trade payables of the Group and of the Company ranges from 30 to 90 days (2015: 30 to 90 days).

The amounts due to subsidiaries and associates are unsecured, interest free and repayable within the normal terms.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

19 Deferred tax liabilities

Deferred tax liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities that relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At start of the year	166,157,138	129,385,638	54,633,000	40,139,000
Transfer to revaluation reserve (Note 22)	(5,303,000)	-	(1,626,000)	-
Arising from revaluation (Note 22)	-	36,425,000	-	14,449,000
Charged/(Credited) to statement of profit or loss (Note 7)	245,060	346,500	(817,000)	45,000
At end of the year	161,099,198	166,157,138	52,190,000	54,633,000
Deferred tax assets before offsetting				
- unabsorbed business loss	(1,224,416)	(1,224,416)	-	-
Offsetting	1,224,416	1,224,416	-	-
Deferred tax assets after offsetting	-	-	-	-
Deferred tax liabilities before offsetting				
- property, plant and equipment	162,236,614	167,294,554	52,190,000	54,633,000
- others	87,000	87,000	-	-
Offsetting	(1,224,416)	(1,224,416)	-	-
Deferred tax liabilities after offsetting	161,099,198	166,157,138	52,190,000	54,633,000

20 Share capital

	Group and the Company			
	Ordinary shares of RM1 each			
	2016	2015	2016	2015
	Unit	Unit	RM	RM
Authorised				
At start and end of the year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At start and end of the year	141,390,000	141,390,000	141,390,000	141,390,000

21 Share premium

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At start and end of the year	47,997,970	47,997,970	44,947,244	44,947,244

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

22 Revaluation reserves

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	402,834,213	303,686,921	124,842,586	82,410,459
Surplus arising during the year	-	145,700,977	-	57,795,944
Deferred tax thereon	-	(36,425,000)	-	(14,449,000)
	-	109,275,977	-	43,346,944
Transfer from deferred tax (Note 19)	5,303,000	-	1,626,000	-
Non controlling interest share on the surplus	-	(7,129,000)	-	-
Transfer to retained earnings	(4,233,673)	(2,999,685)	(1,376,317)	(914,817)
At 31 December	403,903,540	402,834,213	125,092,269	124,842,586

Revaluation reserves being surplus arising from revaluation of the Group's and of the Company's leasehold land and oil palm plantations. These amounts are not distributable by way of dividend.

23 Retained earnings

The Company had moved to the single tier dividend system. Therefore all its retained earnings as at 31 December 2016 can be paid out as single tier exempt dividend.

24 Segmental information

No segmental reporting has been prepared as the Group activities are predominantly in plantation related activities, which are carried out in Malaysia.

25 Related parties

(a) Identity of related parties

For the purpose of these financial statements, parties are considered related to the Group if the Group has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 12), associates (see Note 13), key management personnel and other related parties.

Other related parties and their relationship are as follows:

Related parties	Relationship
- PGC Management Services Sdn Bhd	Associate of Kilang Kosfarm Sdn Bhd
- Kilang Sawira Makmur Sdn Bhd	Associate of Kilang Kosfarm Sdn Bhd
- Rompin Palm Oil Mill Sdn Bhd (RPOM)	PPOM holds 30% equity in RPOM
- Endau Palm Oil Mill Sdn Bhd (EPOM)	PTSB holds 32% equity in EPOM
- Prosper Trading Sdn Bhd (PTSB)	Substantial shareholder of the Company
- Prosper Palm Oil Products Marketing Sdn Bhd (PPOPM)	PPOM holds 30% equity interest in PPOPM
- Wujud Wawasan Sdn Bhd	51% subsidiary of Kilang Kosfarm Sdn Bhd
- Koperasi Serbausaha Makmur Berhad	Shareholder of Wujud Wawasan Sdn Bhd
- LKPP Corporation Sendirian Berhad	Shareholder of the Company



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

25 Related parties (continued)

(b) Transactions with key management personnel

Key management personnel compensation is disclosed in Note 6. There are no other transactions with key management personnel other than compensation.

(c) Transactions with subsidiaries

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Dividend income				
- Kampong Aur Oil Palm Company (Sdn.) Berhad	-	-	6,067,722	6,067,722
- Dawn Oil Palm Plantations Sdn Bhd	-	-	3,780,315	6,300,525
- B.S. Oil Palm Plantations Sdn Bhd	-	-	6,300,525	5,220,435
- Far East Delima Plantations Sdn Bhd	-	-	400,000	200,000
- Kilang Kosfarm Sdn Bhd	-	-	2,550,000	2,805,000
Sales of fresh fruit bunches				
- Kilang Kosfarm Sdn Bhd	-	-	8,952,732	6,765,396

(d) Transactions with associates

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Dividend income				
- Prosper Palm Oil Mill Sdn Berhad	-	-	2,000,000	4,000,000
- Business & Budget Hotels (Kuantan) Sdn Bhd	-	-	907,143	-
Purchase of fresh fruit bunches				
- Prosper Palm Oil Mill Sdn Berhad	113,377	441,047	-	-
Sales of crude palm oil and palm kernel				
- Future Prelude Sdn Bhd	71,037,615	40,844,632	-	-
- Prosper Palm Oil Mill Sdn Berhad	252,360	2,972,945	-	-
Purchase of crude palm oil and palm kernel				
- Prosper Palm Oil Mill Sdn Berhad	-	501,060	-	-
Management fee payable to PGC Management Services Sdn Bhd	1,820,200	2,215,031	-	-



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

25 Related parties (continued)

(e) Other related parties transactions

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Sales of fresh fruit bunches				
- Rompin Palm Oil Mill Sdn Bhd	14,724,259	16,112,251	-	-
- LKPP Corporation Sendirian Berhad	1,424,076	1,279,039	1,424,076	1,279,039
- Kilang Sawira Makmur Sdn Bhd	61,888,661	52,079,315	16,405,521	13,415,287
- Endau Palm Oil Mill Sdn Bhd	8,355,242	350,704	-	-
Purchase of fresh fruit bunches				
- Koperasi Serbausaha Makmur Berhad	119,843,308	114,334,762	-	-
Sales of crude palm oil and palm kernel				
- Prosper Trading Sdn Bhd	17,850,709	12,189,626	-	-
- Prosper Palm Oil Products Marketing Sdn Bhd	28,324,831	-	-	-
- Endau Palm Oil Mill Sdn Bhd	-	2,693,423	-	-
- Rompin Palm Oil Mill Sdn Bhd	1,389,527	3,978,628	-	-
- Kilang Sawira Makmur Sdn Bhd	-	1,273,680	-	-
Purchase of crude palm oil and palm kernel				
- Endau Palm Oil Mill Sdn Bhd	5,503,237	6,217,501	-	-
- Rompin Palm Oil Mill Sdn Bhd	2,455,762	3,937,329	-	-
- Kilang Sawira Makmur Sdn Bhd	882,468	2,887,893	-	-

(f) Outstanding balances for related party transactions carried out during the year

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Related parties				
Receivables:				
- Rompin Palm Oil Mill Sdn Bhd	2,916,992	1,089,997	-	-
- Kilang Kosfarm Sdn Bhd	-	-	1,256,349	-
- Prosper Trading Sdn Bhd	4,970,995	1,153,683	-	-
- LKPP Corporation Sendirian Berhad	446,599	285,170	446,599	285,170
- Prosper Palm Oil Mill Sdn Berhad	-	514,358	-	-
- Future Prelude Sdn Bhd	24,514,096	15,170,951	-	-
- Kilang Sawira Makmur Sdn Bhd	8,079,426	4,772,879	2,344,625	868,345
- Endau Palm Oil Mill Sdn Bhd	-	371,746	-	-
Payables:				
- Prosper Palm Oil Mill Sdn Berhad	104,757	12,477	-	-
- PGC Management Services Sdn Bhd	361,830	167,730	-	-
- Endau Palm Oil Mill Sdn Bhd	4,189,683	3,102,823	-	-
- Rompin Palm Oil Mill Sdn Bhd	-	2,050,358	-	-
- Koperasi Serbausaha Makmur Berhad	13,244,959	9,336,914	-	-



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

26 Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Authorised by the Directors and not contracted	26,377,985	24,157,000	18,420,150	11,276,800
Analysed as follows:				
- property, plant and equipment	11,415,050	7,230,900	8,420,150	1,276,800
- oil palm plantation development	4,962,935	6,926,100	-	-
- acquisition of land	10,000,000	10,000,000	10,000,000	10,000,000
	26,377,985	24,157,000	18,420,150	11,276,800

27 Financial instruments

(a) Classification of financial instruments

Group	Financial assets "at fair value through profit or loss"	Loan and receivables	Financial liabilities, at amortised cost	Total
31.12.2016	RM	RM	RM	RM
Financial assets				
Investment in fund management	3,244,792	-	-	3,244,792
Trade and other receivables	-	28,913,248	-	28,913,248
Amounts due from associates	-	24,514,096	-	24,514,096
Deposits, cash and bank balances	-	289,050,734	-	289,050,734
Total financial assets	3,244,792	342,478,078	-	345,722,870
Financial liabilities				
Trade and other payables	-	-	31,505,419	31,505,419
Amount due to associate	-	-	466,587	466,587
Accruals	-	-	8,060,115	8,060,115
Hire purchase creditor	-	-	58,333	58,333
Total financial liabilities	-	-	40,090,454	40,090,454

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

27 Financial instruments (continued)

(a) Classification of financial instruments (continued)

Group	Financial assets "at fair value through profit or loss" RM	Held to maturity investment RM	Loan and receivables RM	Financial liabilities, at amortised cost RM	Total RM
31.12.2015					
Financial assets					
Investment in fund management	165,182	-	-	-	165,182
Redeemable Convertible Non-Cumulative Preference Shares	-	3,000,000	-	-	3,000,000
Trade and other receivables	-	-	19,002,922	-	19,002,922
Amounts due from associates	-	-	16,105,070	-	16,105,070
Deposits, cash and bank balances	-	-	276,004,017	-	276,004,017
Total financial assets	165,182	3,000,000	311,112,009	-	314,277,191
Financial liabilities					
Trade and other payables	-	-	-	21,634,114	21,634,114
Amount due to associate	-	-	-	180,207	180,207
Accruals	-	-	-	7,124,730	7,124,730
Hire purchase creditor	-	-	-	93,333	93,333
Total financial liabilities	-	-	-	29,032,384	29,032,384

Company	Loan and receivables RM	Financial liabilities, at amortised cost RM	Total RM
31.12.2016			
Trade and other receivables	8,410,409	-	8,410,409
Amounts due from subsidiaries	61,687,124	-	61,687,124
Deposits, cash and bank balances	153,813,503	-	153,813,503
Total financial assets	223,911,036	-	223,911,036
Financial liabilities			
Trade and other payables	-	4,799,896	4,799,896
Amounts due to subsidiaries	-	30,478	30,478
Accruals	-	3,055,385	3,055,385
Total financial liabilities	-	7,885,759	7,885,759



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

27 Financial instruments (continued)

(a) Classification of financial instruments (continued)

Company 31.12.2015	Held to maturity investment RM	Loan and receivables RM	Financial liabilities, at amortised cost RM	Total RM
Redeemable Convertible				
Non-Cumulative Preference Shares	3,000,000	-	-	3,000,000
Trade and other receivables	-	4,583,095	-	4,583,095
Amounts due from subsidiaries	-	62,680,941	-	62,680,941
Deposits, cash and bank balances	-	151,280,672	-	151,280,672
Total financial assets	3,000,000	218,544,708	-	221,544,708
Financial liabilities				
Trade and other payables	-	-	759,325	759,325
Amounts due to subsidiaries	-	-	9,361	9,361
Accruals	-	-	2,071,199	2,071,199
Total financial liabilities	-	-	2,839,885	2,839,885

(b) Financial risk management objectives and policies

The Group's operations are subject to a variety of financial risks, including interest rate risk, credit risk, market risk, liquidity risk and cash flow risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The Board regularly reviews these risks and approves treasury policies, which cover the management of these risks. It is not the Group's policy to engage in speculative transactions.

Interest rate risk

The Group's income and operating cash flows are not substantially affected by the changes in interest rates, as the Group has no significant borrowings for the year in review. Interest rate exposure for the Group's deposits is managed through the use of fixed and floating rates negotiated and agreed by the Group and the financial institutions.

Market risk

The Group's exposure to market risk comprises primarily the fluctuations in the palm oil prices. To mitigate some of these risks, the Group always keeps abreast with the latest updates on global supply and demand for oils and fats market.

Credit risk

Credit risk is the risk of loss that may arise from the outstanding financial instruments should a counterparty default on its obligations. The Group and Company are exposed to credit risk primarily from trade receivables, other receivables and deposits, cash and bank balances with financial institutions.

27 Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

As at the current and previous financial year-end, the Group and Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Receivables are continuously being monitored to ensure that exposure to bad debts are minimised.

The ageing of trade receivables of the Group and Company are as follows:

Group 2016	Gross RM	Impairment loss RM	Net RM
Not past due	26,152,147	-	26,152,147
More than 120 days past due	50,921	-	50,921
	26,203,068	-	26,203,068
2015			
Not past due	15,997,089	-	15,997,089
More than 120 days past due	50,921	-	50,921
	16,048,010	-	16,048,010
Company 2016	Gross RM	Impairment loss RM	Net RM
2016			
Not past due	7,145,682	-	7,145,682
2015			
Not past due	3,290,199	-	3,290,199

Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and Company. None of the Group and Company's receivables that are neither past due nor impaired have been renegotiated during the current and previous year.

The Group and Company have no significant concentration of credit risk that may arise from exposures to a single debtor or counterparty.

Liquidity and cash flow risk

The Group manages its liquidity risk by maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet estimated commitments arising from operational expenditures and financial liabilities. The Group also has an effective control of cash flow management to ensure that the Group can pay its targeted dividends to shareholders at an appropriate time.



NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

27 Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity and cash flow risk (continued)

The following tables analysed the remaining maturity for non-derivatives financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay.

Group 2016	Not later than 1 month RM	1 month to 3 months RM	3 months to 1 year RM	1 to 2 years RM	Total RM
Trade and other payables	23,484,908	636,855	7,383,656	-	31,505,419
Amounts due to associates	466,587	-	-	-	466,587
Accruals	4,787,053	-	3,273,062	-	8,060,115
Hire purchase creditor	2,759	5,551	26,292	23,731	58,333
	28,741,307	642,406	10,683,010	23,731	40,090,454

2015	RM	RM	RM	RM	RM
Trade and other payables	20,640,670	623,506	369,938	-	21,634,114
Amount due to associate	180,207	-	-	-	180,207
Accruals	4,241,901	-	2,882,829	-	7,124,730
Hire purchase creditor	2,759	5,551	26,292	58,731	93,333
	25,065,537	629,057	3,279,059	58,731	29,032,384

Company 2016	Not later than 1 month RM	3 months to 1 year RM	Total RM
Trade and other payables	1,018,024	3,781,872	4,799,896
Amounts due to subsidiaries	30,478	-	30,478
Accruals	1,816,323	1,239,062	3,055,385
	2,864,825	5,020,934	7,885,759

2015	RM	RM	RM
Trade and other payables	759,325	-	759,325
Amounts due to subsidiaries	9,361	-	9,361
Accruals	1,222,085	849,114	2,071,199
	1,990,771	849,114	2,839,885

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

27 Financial instruments (continued)

(c) Fair value of financial instruments carried at amortised cost and cost

The carrying amounts of the financial assets and financial liabilities are recognised at their fair values, except for the following financial assets and financial liabilities, which are recognised at cost and amortised cost after initial recognition. However, the Directors are of the opinion that the carrying amounts do not materially differ from their fair values:

Group	2016		2015	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Financial assets				
<i>Financial assets "at fair value through profit or loss"</i>				
Investment in fund management	3,244,792	3,244,792	165,182	165,182
Held to maturity				
Redeemable Convertible				
Non-Cumulative Preference Shares	-	-	3,000,000	3,000,000
Loan and receivables				
Trade and other receivables	28,913,248	28,913,248	19,002,922	19,002,922
Amounts due from associates	24,514,096	24,514,096	16,105,070	16,105,070
Deposits, cash and bank balances	289,050,734	289,050,734	276,004,017	276,004,017
Total financial assets	345,722,870	345,722,870	314,277,191	314,277,191
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	31,505,419	31,505,419	21,634,114	21,634,114
Accruals	8,060,115	8,060,115	7,124,730	7,124,730
Amounts due to associates	466,587	466,587	180,207	180,207
Hire purchase creditor	58,333	58,333	93,333	93,333
Total financial liabilities	40,090,454	40,090,454	29,032,384	29,032,384
Company				
Financial assets				
<i>Held to maturity</i>				
Redeemable Convertible				
Non-Cumulative Preference Shares	-	-	3,000,000	3,000,000
Loan and receivables				
Trade and other receivables	8,410,409	8,410,409	4,583,095	4,583,095
Amounts due from subsidiaries	21,868,360	21,868,360	22,486,660	22,486,660
Amounts due from subsidiaries	39,818,764	39,818,764	40,194,281	40,194,281
Deposits, cash and bank balances	153,813,503	153,813,503	151,280,672	151,280,672
Total financial assets	223,911,036	223,911,036	221,544,708	221,544,708
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	4,799,896	4,799,896	759,325	759,325
Amounts due to subsidiaries	30,478	30,478	9,361	9,361
Accruals	3,055,385	3,055,385	2,071,199	2,071,199
Total financial liabilities	7,885,759	7,885,759	2,839,885	2,839,885



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

27 Financial instruments (continued)

(c) Fair value of financial instruments carried at amortised cost and cost (continued)

Valuation technique and significant assumptions used in determining fair value of financial assets and financial liabilities recognised at amortised cost or cost after initial recognition are as follows:

Financial assets without published price in active market

The fair values of financial assets not traded on active markets are determined by using generally accepted valuation technique.

Financial assets with published price in active market

The fair values of financial assets traded on active markets are determined with reference to their quoted market price.

Trade and other receivables, amounts due from associates/subsidiaries, deposits, cash and bank balances, trade and other payables, amounts due to subsidiaries and accruals

The carrying amounts approximate the fair value due to their short-term nature except for RM17,537,150 (2015: RM40,194,281) due from two of the subsidiaries. The fair value is estimated by discounting the future cash flow at the rate of 5.425%, based on estimated borrowing cost of the companies.

28 Critical accounting estimates and assumptions

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of property, plant and equipment

Determining whether the property, plant and equipment are impaired requires an estimation of value in use of the property, plant and equipment. The value in use calculation requires the management to estimate the future cash flows and an appropriate discount rate in order to calculate the present value of future cash flows. The management has evaluated such estimates and is confident that no allowance for impairment is necessary.

(b) Estimated useful life of property, plant and equipment

The residual value and the useful life of the property, plant and equipment are reviewed at each year-end. The review is based on factors such as business plans and strategies, expected level of usage and future regulatory changes. The estimation of the residual values and useful life involve significant judgment.

(c) Allowance for doubtful debts

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current assets of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

28 Critical accounting estimates and assumptions (continued)

(d) Income tax expense

The Group is subject to income tax in Malaysian jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(e) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Please refer to Note 30 of the financial statements for details.

29 Adoption of new and revised Financial Reporting Standards and Interpretations

During the financial year, the Group has adopted the following new and revised Financial Reporting Standards and Interpretations (collectively referred to as 'FRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2016:

FRSs that do not have significant impacts on these financial statements

The following new and revised FRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2016, have been adopted, but the adoptions do not have a significant impact on the financial statements:

Effective for financial period beginning on or after 1 January 2016

Amendment to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 – 2014 Cycle:

Amendments to FRS 5	Non-current Assets Held for sale and Discontinued Operations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 119	Employee Benefits
Amendments to FRS 134	Interim Financial Reporting

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

29 Adoption of new and revised Financial Reporting Standards and Interpretations (continued)

FRSs that have been issued but are not yet effective

The Group has not adopted the following FRSs that have been issued by the MASB but are not yet effective:

Effective for financial period beginning on or after 1 January 2017

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 – 2016 Cycle	
Amendments to FRS 12	Disclosure of Interests in Other Entities

Effective for financial period beginning on or after 1 January 2018

Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
Amendments to FRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to FRS Standards 2014 – 2016 Cycle	
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 128	Investments in Associates and Joint Ventures

Malaysian Financial Reporting Standards ('MFRS Framework')

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ('MFRS 141') and IC Interpretation 15 Agreements for Construction of Real Estate ('IC 15'), including its parent, significant investor and venture (herein called 'Transitioning Entities'). On 8 September 2015, MASB announced that it will permit Transitioning Entities to defer the adoption of the new MFRS Framework until annual periods beginning on or after 1 January 2018.

The Company falls within the scope of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group is reviewing its accounting policies to assess its financial effects of the differences between the current FRS and the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2016 could be different if they are prepared under the MFRS Framework.

30 Material litigation

- (1) **Appeal to the Federal Court**
Civil Appeal No. 02(f)-19-04/2016(W)
Far East Holdings Berhad & Kampong Aur Oil Palm Company (Sdn.) Berhad v. Majlis Ugama Islam dan Adat Resam Melayu Pahang
(FEHB & KAOP's Appeal No. 1 - Enforcement)
- (2) **Appeal to the Federal Court**
Civil Appeal No. 02(f)-20-04/2016(W)
Far East Holdings Berhad & Kampong Aur Oil Palm Company (Sdn.) Berhad v. Majlis Ugama Islam dan Adat Resam Melayu Pahang
(FEHB & KAOP's Appeal No.2 - Setting Aside Award)
- (3) **Appeal to the Federal Court**
Civil Appeal No. 02(f)-21-04/2016(W)
Majlis Ugama Islam dan Adat Resam Melayu Pahang v. Far East Holdings Berhad & Kampong Aur Oil Palm Company (Sdn.) Berhad
(MUIP's Appeal - Interest Issue)

A brief background on FEHB's Applications and the current status of the matter is as follows:-

- (a) FEHB and Kampong Aur Oil Palm Company (Sdn.) Berhad ("KAOP") entered into an Agreement with Majlis Ugama Islam dan Adat Resam Melayu Pahang ("MUIP") on 16.1.1992.
- (b) A dispute arose between the Parties and the dispute was resolved by way of arbitration, wherein MUIP was the Claimant while FEHB and KAOP were the Respondents.
- (c) The dispute that arose between the Parties concerns essentially the following 3 Issues:
 - (i) Increase in the paid up capital of KAOP;
 - (ii) The exercise of the 1st Option; and
 - (iii) The exercise of the 2nd Option.
- (d) The Arbitrator found in favour of MUIP in Award dated 19.9.2012 and a Corrective Award dated 11.10.2012.
- (e) FEHB and KAOP challenged the Award (and the Corrective Award) and resisted the enforcement of the Award before the High Court.
- (f) On 21.11.2013, the High Court allowed FEHB's and KAOP's challenge only on the award of pre-award and post-award interest, but recognised and enforced the rest of the Award ("the Judgment"). A stay of execution for the Judgment was granted in favour of FEHB and KAOP.
- (g) Essentially the Judgment compels FEHB to, firstly, cancel substantial shares (*to the tune of 22 million shares*) that it holds in KAOP, secondly, to transfer a total of 27% of its shares in KAOP to MUIP and finally, to pay a sum in excess of RM77.8 million to MUIP. The Judgment bears the endorsement under Order 45 Rule 7(4) of the Rules of Court 2012 compelling FEHB and KAOP, their directors and company secretaries to comply with the terms of the Judgment upon personal service thereof, failing which to be subjected to committal proceedings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

30 Material litigation (continued)

- (h) FEHB and KAOP appealed to the Court of Appeal against the High Court decision save as to the award of pre-award and post-award interest which was set aside (“**FEHB’s and KAOP’s CA appeals**”). MUIP in turn appealed to the Court of Appeal against that part of the High Court decision setting aside the award of interests (“**MUIP’s CA appeal**”).
- (i) On 31.7.2015, the Court of Appeal dismissed all the appeals and affirmed the decision of the High Court. Applications for leave to appeal to the Federal Court were filed by all parties.
- (j) On 13.10.2015, the Court of Appeal granted, *inter alia*, a conditional stay of execution.
- (k) On 26.10.2015, FEHB deposited the sum of RM91,971,411.54 in compliance with the Consent Order.
- (l) On 28.3.2016, the Federal Court granted leave to appeal to both parties.
- (m) The three (3) appeals were fixed for continued hearing before the Federal Court on 23.2.2017. Counsel for both parties concluded their oral submissions and the Federal Court adjourned the matter for decision on a date to be fixed by the Court.

31 Supplementary information on the breakdown of realised and unrealised profits and losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Realised	742,760,285	657,484,186	324,008,240	311,521,895
Unrealised	(7,082,533)	(11,853,556)	(8,169,699)	(7,912,659)
	735,677,752	645,630,630	315,838,541	303,609,236

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

32 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2017.

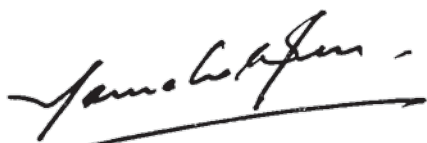
STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

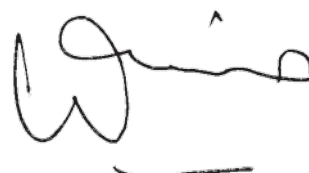
We, Dato' Sri Kamaruddin bin Mohammed and Tee Cheng Hua, two of the Directors of Far East Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 67 to 106 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in Note 31 on page 106 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institutes of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Board of Directors dated 29 March 2017



Dato' Sri Kamaruddin bin Mohammed
Group Executive Chairman



Tee Cheng Hua
Executive Director

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Asmin binti Yahya, being the Officer primarily responsible for the financial management of Far East Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Asmin binti Yahya

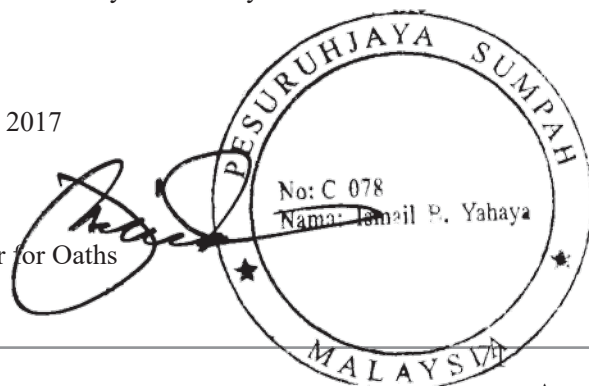
Subscribed and solemnly declared by the abovenamed Asmin binti Yahya

At: Kuantan

On: 29 March 2017

Before me:

Commissioner for Oaths



Lot No. 11-13, Tingkat 1,
Bangunan UTC,
Jalan Stadium,
25000 Kuantan, Pahang.



INDEPENDENT AUDITORS' REPORT

to the Members of Far East Holdings Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Far East Holdings Berhad and its subsidiaries (the Group), which comprise the statements of comprehensive income, the statements of financial position as at 31 December 2016 of the Group and of the Company, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Material litigation (Notes 17, 28(e) and 30 to the financial statements)

The Company involved in litigation with Majlis Ugama Islam Pahang (MUIP) disputing certain matters as described in Note 30 the financial statements. The case is currently at the Federal Court level and the Court has adjourned the matter for decision on a date to be fixed by the Court. We consider the litigation were important given the size and related uncertainty of the outcomes.



Key Audit Matters (continued)

How our audit address this matter

We inquired management and evaluated the Group's assessment of the nature and most recent status of the litigation. The specific work we performed during the assessment of the litigation included:

- Read related minutes of meetings of the Board of Directors and the audit committee;
- Inquired external legal counsel concerning the current status, timing and potential outcomes of the claim;
- Obtain external confirmations on the facts in writing from legal counsels; and
- Considered the adequacy of the related disclosures.

We viewed that the disclosures made were adequate and sufficient.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the Members of Far East Holdings Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

For the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



INDEPENDENT AUDITORS' REPORT

to the Members of Far East Holdings Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

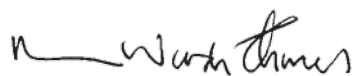
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 31 on page 106 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad (Bursa Malaysia) and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



McMillan Woods Thomas
(AF 001879)
Chartered Accountants

Kuantan
29 March 2017



Chong Loong Choy
[2589/08/18(J)]
Partner of the firm



SHAREHOLDINGS STRUCTURE

As at 31 March 2017

Issued Shares 141,390,000 unit

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	SHAREHOLDER'S ID	SHAREHOLDING	%
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PROSPER TRADING SDN BHD	102918T	23,054,400	16.31
2	LEMBAGA KEMAJUAN PERUSAHAAN PERTANIAN NEGERI PAHANG	LKPPNPECT71971	22,807,800	16.13
3	LEMBAGA KEMAJUAN PERUSAHAAN PERTANIAN NEGERI PAHANG	LKPPNPECT71971	12,793,000	9.05
4	HIKMAT ELIT SDN BHD	562277U	9,443,300	6.68
5	LKPP CORPORATION SDN BHD	199769V	8,300,280	5.87
6	PROSPER TRADING SDN BERHAD	144561U	7,894,920	5.58
7	FOKAS SEHATI SDN. BHD.	649034D	4,538,400	3.21
8	DELUXE ERA SDN BHD	845421X	3,363,700	2.38
9	HIKMAT ELIT SDN BHD	562277U	3,273,100	2.31
10	YH DATO' SRI KAMARUDDIN BIN MOHAMMED	481124-06-5173	2,700,000	1.91
11	PROSPER TRADING SDN BERHAD	TEM144561	2,603,600	1.84
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (M09)	41117T	2,580,200	1.82
13	MERGEBOOM (M) SDN BHD	261276X	2,516,000	1.78
14	MR TEE CHENG HUA	540601-10-5949	2,124,000	1.50
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (TEE0063C)	41117T	2,056,300	1.45
16	BUDI-JS PLANTATION MANAGEMENT SDN. BERHAD	248375P	1,667,200	1.18
17	MERGEBOOM (M) SDN BHD	261276X	1,175,000	0.83
18	MR HAN KEE JUAN	510913-01-6067	979,700	0.69
19	MR TEE CHING CHAN	620113-10-5819	959,400	0.68
20	MR MAN FOH @ CHAN MAN FOH	570306-06-5099	728,000	0.51
21	MR TEE CHENG HU	631115-10-5197	723,400	0.51
22	AMANAH SAHAM PAHANG BERHAD	017251P	710,100	0.50
23	MR TEE LIP HIAN	730303-10-5171	686,600	0.49
24	MR ANG KIM SENG @ ANG ENG HOCK	511009-10-5437	682,600	0.48
25	MADAM TEE CHAIN YEE	770810-10-5420	675,000	0.48
26	ENCIK NOWAWI BIN ABDUL RAHMAN	551126-06-5207	588,000	0.42
27	MR YEW PENG DU	730117-10-5477	555,000	0.39
28	MR TEE LIP SIN	710501-10-6089	550,900	0.39
29	MR TEE LIP JEN	830525-10-5407	519,900	0.37
30	MR TEE LIP CHUAN	841119-10-5827	507,700	0.36
Total			121,757,500	86.11



SHAREHOLDINGS STRUCTURE

As at 31 March 2017

INFORMATION OF SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

Nos.	Names of Substantial Shareholders	Direct Holdings	
		No.	%
1	LEMBAGA KEMAJUAN PERUSAHAAN PERTANIAN NEGERI PAHANG		
	<i>Share held through:-</i>		
	<i>Own Account</i>	22,807,800	16.13
	<i>Own Account</i>	12,793,000	9.05
		35,600,800	25.18
2	PROSPER TRADING SDN BERHAD		
	<i>Share held through:-</i>		
	<i>Own Account</i>	7,894,920	5.58
	<i>Own Account</i>	2,603,600	1.84
	<i>AMSEC Nominees (Tempatan) Sdn Bhd</i>	23,054,400	16.31
		33,552,920	23.73
3	HIKMAT ELIT SDN BHD		
	<i>Share held through:-</i>		
	<i>Own Account</i>	9,443,300	6.68
	<i>Own Account</i>	3,273,100	2.31
		12,716,400	8.99
4	LKPP CORPORATION SDN BHD		
	<i>Share held through:-</i>		
	<i>Own Account</i>	8,300,280	5.87
	<i>TA Nominees (Tempatan) Sdn Bhd</i>	121,000	0.09
		8,421,280	5.96
	TOTAL	90,291,400	63.86



SHAREHOLDINGS STRUCTURE

As at 31 March 2017

INFORMATION ON DIRECTORS' SHAREHOLDINGS

No.	Names Of Directors	Direct Holdings		Indirect Holdings	
		No.	%	No.	%
1	YH DATO' SRI KAMARUDDIN BIN MOHAMMED				
	<u>Shares held through:-</u>				
	Individual Account	2,700,000	1.91	500,000 ^(a)	0.35
	<u>Notes:</u>				
	^(a) By Virtue of YBhg Datin Kalsom bt Ahmad is his spouse			100,000 ^(b)	0.07
	^(b) By Virtue of Khairatun Amirah bt Kamaruddin is his daughter	2,700,000	1.91	600,000	0.42
2	YH DATO' WAN BAKRI BIN WAN ISMAIL	-	-	-	-
3	MR TEE KIM TEE @ TEE CHING TEE			-	-
	<u>Shares held through:-</u>				
	Individual Account	119,400	0.08		
	Affin Hwang Nominees (Tempatan) Sdn Bhd	2,580,200	1.82		
	Affin Hwang Nominees (Tempatan) Sdn Bhd	2,056,300	1.45		
		4,755,900	3.35		
4	YH DATO' TAN BING HUA				
	<u>Notes:</u>				
	^(a) By Virtue of YBhg Datin Cho Kwai Lin is his spouse	-	-	44,000	0.03
				44,000	0.03
5	YH DATO' JAMALUDDIN BIN ABD MAJID	-	-	-	-
6	MR TEE CHENG HUA			-	-
	<u>Shares held through:-</u>				
	Individual Account	2,124,000	1.50		
		2,124,000	1.50		
7	EN HASHIM NAINA MERICAN BIN YAHAYA MERICAN			-	-
	<u>Shares held through:-</u>				
	Individual Account	10,000	0.01		
		10,000	0.01		
8	EN NIK MOHAMED ZAKI BIN NIK YUSOFF	-	-	-	-
9	MR TEE LIP TENG			-	-
	<u>Shares held through:-</u>				
	Individual Account 1	100,000	0.07		
	Individual Account 2	200,000	0.14		
		300,000	0.21		
TOTAL		9,889,900	6.98	644,000	0.45



SHAREHOLDINGS STRUCTURE

As at 31 March 2017

DISTRIBUTION TABLE A

Category	No. of Holders		No. of Shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	13	1	214	66	0.00	0.00
100 - 1,000	300	1	173,020	300	0.12	0.00
1,001 - 10,000	1,113	15	3,791,200	73,600	2.69	0.05
10,001 - 100,000	203	13	5,257,000	278,600	3.72	0.20
100,001 and above	62	1	121,522,300	403,800	85.96	0.29
Directors' Shareholdings	8	0	9,889,900	-	6.98	0.00
TOTAL	1,699	31	140,633,634	756,366	99.47	0.53

DISTRIBUTION TABLE ACCORDING TO CATEGORY OF SHAREHOLDERS

Category of Holder		No. of Holders			No. of Securities			%		
		Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
		Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1	Individuals	100	1,419	20	4,777,600	24,450,234	168,666	3.38	17.29	0.12
2	Body Corporate									
	a. Banks/Finance Companies	5	0	0	35,600	0	0	0.03	0	0
	b. Investment Trusts/ Foundation/ Charities	0	1	0	0	1,000	0	0	0	0
	c. Other Types of Companies	9	31	1	13,678,880	32,614,520	8,800	9.67	23.07	0.01
3	Government Agencies/ Institutions	3	0	0	36,093,100	0	0	25.53	0	0
4	Nominees	63	59	8	23,398,200	5,588,500	574,900	16.55	3.95	0.41
5	Others	0	0	0	0	0	0	0	0	0
Total		180	1,510	29	77,983,380	62,654,254	752,366	55.16	44.31	0.53



GROUP PROPERTIES

Location	Title	Tenure (Leasehold Period Till Year)	Area (Hec)	Usage	Date Revaluation	As At 31.12.2016 RM'000
Far East Holdings Berhad						
Ladang Sg. Seraya Daerah Rompin Pahang Darul Makmur	H.S(D) 61	2079	161.87	Oil Palm Cultivations	31.12.2015	
	H.S(D) 62	2079	259.00			
	H.S(D) 63	2079	230.67			
	H.S(D) 64	2079	190.20			
	PN 16273	2103	60.57			
	PN 16839	2103	10.22			
Ladang Bukit Jin Daerah Bera Pahang Darul Makmur	H.S(D) 3171	2079	420.87	Oil Palm Cultivations	31.12.2015	
	H.S(D) 3172	2079	420.87			
	H.S(D) 3173	2079	190.20			
	H.S(D) 3174	2079	230.67			
	H.S(D) 3175	2079	274.78			
	H.S(D) 3176	2079	8.50			
	H.S(D) 3177	2079	384.45			
	H.S(D) 3178	2079	36.42			
	H.S(D) 3179	2079	68.80			
	H.S(D) 3180	2079	68.80			
Ladang Sg Rasau Daerah Pekan Pahang Darul Makmur	H.S(D) 1971	2091	118.04	Oil Palm Cultivations	31.12.2015	
Ladang Sg Batu Daerah Kuantan Pahang Darul Makmur	H.S(D) 23609	2103	874.75	Oil Palm Cultivations	31.12.2015	
	H.S(D) 42974	2112	33.26			
Ladang Chengal Daerah Rompin Pahang Darul Makmur	H.S(D) 4147	2106	1,103.01	Oil Palm Cultivations	31.12.2015	
	H.S(D) 4148	2106	1,096.99			
Bandar Indera Mahkota	PN 7721	2096	8.82	Building		
New land nearby Sungai Marung Estate	H.S(D) 5006	2114	158.19	Oil Palm Cultivations	31.12.2015	
	H.S(M)7647	2114	1.49		31.12.2015	
	H.S(D) 5087	2115	31.80			
New land nearby Sungai Gayung Estate	H.S(D) 5088	2115	11.56	Oil Palm Cultivations		
New land nearby Bukit Serok Estate	H.S(D) 4850	2113	44.65	Oil Palm Cultivations		
	H.S(D) 4851	2113	145.89			
New land nearby Kampong Aur Estate	H.S(D) 5005	2114	58.46	Oil Palm Cultivations	31.12.2015	
New land nearby Dawn Estate	H.S(D) 5004	2114	12.10	Oil Palm Cultivations	31.12.2015	
New land nearby Simpai Estate	H.S(D) 5318	2115	170.70	Oil Palm Cultivations	-	
	H.S(D) 5319	2115	107.53		-	
New land nearby Juasa Estate	H.S(D) 5326	2115	167.56	Oil Palm Cultivations	-	
7,161.69						287,807

Location	Title	Tenure (Leasehold Period Till Year)	Area (Hec)	Usage	Date Revaluation	As At 31.12.2016 RM'000
Dawn Oil Palm Plantations Sdn Bhd						
Ladang Dawn	H.S(D) 11	2075	297.85	Oil Palm	31.12.2015	
Daerah Rompin	H.S(D) 18	2076	133.14	Cultivations		
Pahang Darul Makmur	H.S(D) 57	2079	242.81			
	H.S(D) 58	2079	177.76			
	H.S(D) 3719	2071	11.33			
	H.S(D) 3772	2072	236.34			
	H.S(D) 3773	2072	14.57			
	H.S(D) 4115	2103	114.18			
	PN 7815	2103	218.90			
	PN 19605	2071	138.20			
	H.S(D) 4852	2113	220.06			
	PN17098	2103	23.77			
Ladang Cempaka	H.S(D) 988	2096	452.60	Oil Palm	31.12.2015	
Daerah Bera				Cultivations		
Pahang Darul Makmur						
						87,868
						2,281.51
B.S. Oil Palm Plantations Sdn. Bhd.						
Ladang Bukit Serok	H.S(D) 8	2075	350.46	Oil Palm	31.12.2015	
Daerah Rompin	H.S(D) 16	2076	346.82	Cultivations		
Pahang Darul Makmur	H.S(D) 50	2085	357.80			
	H.S(D) 59	2079	171.99			
	H.S(D) 60	2079	248.88			
	H.S(D) 3716	2071	136.38			
	H.S(D) 3717	2071	137.19			
	H.S(D) 3741	2071	290.16			
	PN 17048	2103	27.79			
						97,171
						2,067.47
Kampong Aur Oil Palm Company (Sdn.) Berhad						
Ladang Kampong Aur	H.S(D) 3896	2070	123.83	Oil Palm	31.12.2015	
Daerah Rompin	H.S(D) 3708	2070	118.98	Cultivations		
Pahang Darul Makmur	H.S(D) 3709	2070	242.41			
	H.S(D) 3781	2073	64.75			
	H.S(D) 3780	2073	260.62			
	H.S(D) 3886	2074	419.26			
	H.S(D) 38	2077	407.12			
	H.S(D) 74	2079	283.28			
	H.S(D) 75	2079	137.60			
	PN 16917	2100	35.57			
						79,364
						2,093.42



GROUP PROPERTIES

Location	Title	Tenure (Leasehold Period Till Year)	Area (Hec)	Usage	Date Revaluation	As At 31.12.2016 RM'000
Madah Perkasa Sdn Bhd						
Ladang Sg Marung	PN 16812	2095	878.70	Oil Palm	31.12.2015	
Daerah Rompin	PN 17988	2095	665.40	Cultivations		
Pahang Darul Makmur						
Ladang Sg Gayung	PN 17986	2095	1,039.80	Oil Palm	31.12.2015	
Daerah Rompin	PN 17987	2095	1,898.80	Cultivations		
Pahang Darul Makmur						
			4,482.70			182,178
Far East Delima Plantations Sdn. Bhd.						
Ladang Delima	H.S(D) 4568 _{Note 1}	2103	2,830.85	Oil Palm	31.12.2015	
Daerah Rompin				Cultivations		
Pahang Darul Makmur						
			2,830.85			58,050
F.E. Rangkaian Sdn. Bhd.						
Ladang Rangkaian	H.S(D) 4805 _{Note 1}	2112	728.45	Oil Palm	31.12.2015	
Daerah Rompin	H.S(D) 4806 _{Note 1}	2112	687.98	Cultivations		
Pahang Darul Makmur						
			1,416.43			21,127
Kilang Kosfarm Sdn Bhd	H.S(D) 3896 _{Note 2}	2070	123.83	Building and Oil Palm Cultivations		
			123.83			425
			22,457.90			813,990

Notes:

Note 1 The land is subleased from Rangkaian Delima Sdn. Bhd.

Note 2 Sublease from Kampong Aur Oil Palm Company (Sdn.) Berhad up to 2050.





Far East Holdings Berhad
(14809-W)

PROXY FORM

I / We _____

NRIC/Company No. _____

of _____

being a member / members of FAR EAST HOLDINGS BERHAD, hereby appoint _____

of _____

or failing him _____

of _____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on behalf at the 43rd Annual General Meeting of Far East Holdings Berhad to be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on 24 May 2017 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote on the resolution as indicate with (X) in the space provided to be cast, my/our proxy will note or abstain as he/she thinks fit.

Resolution Number	1	2	3	4	5	6	7
For							
Against							

Signed this _____ day of _____ 2017.

Total Shares Held	
CDS Account No.	

Signature(s)/Company Seal _____

Witness* _____

* This signature on Proxy Form executed outside Malaysia must be attested by a notary or consul.

Fold here to seal

STAMP

COMPANY SECRETARIES
FAR EAST HOLDINGS BERHAD
Suite 5 & 6, Tingkat 8
Kompleks Teruntum
Jalan Mahkota, 25000 Kuantan
Pahang Darul Makmur

Fold here to seal

www.fehb.com.my

Far East Holdings Berhad (14809-W)

Suite 5 & 6, Tingkat 8, Kompleks Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang Darul Makmur, Malaysia

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