

# FAR EAST

HOLDINGS BERHAD

197301001753 (14809-W)



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**ANNUAL REPORT 2019**

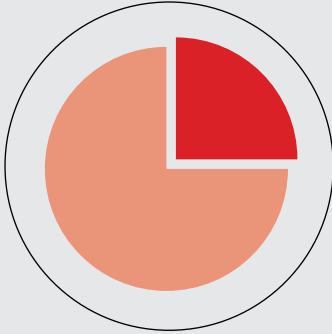


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**CONTINUOUS GROWTH**

# KEY INDICATORS

As at 31 December 2019



REVENUE

**RM381.13** Million

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EARNINGS PER SHARE

**13.47** Sen



PROFIT BEFORE TAX

**RM103.14** Million

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PROFIT AFTER TAX

**RM84.79** Million



TOTAL EQUITY

**RM1,106.65** Million

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MARKET CAPITALISATION

**RM1.60** Billion



NET TANGIBLE ASSET

**RM1.86** Per Share

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SHARE PRICE

**RM2.79**

*(Source: Bursa Market Watch)  
Price as at 31 December 2019*

# 46<sup>th</sup>

**Annual General Meeting  
("AGM") of  
Far East Holdings Berhad**

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

Wednesday, 15 July 2020  
at 10.00 a.m.

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 46<sup>th</sup> 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, 15 July 2020 at 10.00 a.m. to transact the following businesses:-

## As Ordinary Business

1. To receive the Audited Reports and Financial Statements for the financial year ended 31 December 2019 together with the Directors’ and Auditors’ Reports thereon.
2. To re-elect the following Directors who retire by rotation in accordance with Clause 77 of the Company’s Constitution:-
  - (a) Mr Tee Kim Tee @ Tee Ching Tee
  - (b) Mr Tee Cheng Hua
3. To re-elect YH Dato’ Suhaimi Bin Mohd Yunus who retires in accordance with Clause 76 of the Company’s Constitution.
4. To approve the Directors’ fee for the financial year ended 31 December 2019 amounting to RM648,090 (2018: RM675,863).
5. To approve the payment of Directors’ benefits (other than Directors’ fees) of up to RM1,025,900 (2018: RM1,301,291) for the period from the 46<sup>th</sup> Annual General Meeting to the 47<sup>th</sup> Annual General Meeting to be held in 2021.

**Please refer to Note A**

**Ordinary Resolution 1  
Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

**Ordinary Resolution 5  
Please refer to Note B  
for Directors’ Fees  
and Benefits**

6. To appoint Messrs Moore Stephens Associates PLT as auditors for the coming year and to authorise the Directors to fix the remuneration of Messrs Moore Stephens Associates PLT.

**Ordinary Resolution 6**

## As Special Business

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

7. Proposed Renewal of Shareholders’ Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders’ Mandate for Additional Recurrent Related Party Transactions

“THAT subject always to the provisions of the Companies Act 2016 (the “**Act**”), the Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations involving the interests of Directors, major shareholders or persons connected to the Directors and/or major shareholders of the Company and its subsidiaries (“**Related Parties**”), as set out in Section 2 of the Circular to Shareholders of the Company dated 18 June 2020 (“**Shareholders’ Mandate**”) subject to the following:-

- (a) the transactions are carried out in the ordinary course of business 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
- (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the financial year.

## Notice of Annual General Meeting

THAT authority conferred by this resolution will commence immediately upon passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company 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 Shareholders' Mandate."

### Ordinary Resolution 7

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

### By Order of the Board

**DATO' ASMIN BINTI YAHYA** (MIA 10161) (201908003182)  
**NOOR ANISAH BINTI SABARUDIN** (LS 0008153) (201908003026)  
Company Secretaries  
Kuantan, Pahang

Date: 18 June 2020

### Notes on Proxy

1. Depositors who appear in the Record of Depositors as at 8 July 2020 (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 46<sup>th</sup> 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, Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur, not less than 24 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 member 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.



# Notice of Annual General Meeting

## Explanatory Notes on

### Note A - Ordinary Business

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

### Note B - Directors' Fees and Benefit

The Remuneration Committee and the Board have reviewed the Directors' fees after taking into account fees levels and trends for similar position in the market and time commitment required from the Directors.

### Ordinary Resolution 4 - Payment of Directors' Fees

The Board had approved at its meeting on 11 December 2019, the Remuneration Committee's recommendation to retain the Directors' fees to be paid to the Directors as follows:-

|  | Board (RM) Per Annum |
|--|----------------------|
| Executive Directors  | 210,000              |
| Non-Executive Directors/Members  | 438,090              |
| The payment of the Directors' fees in respect of the financial year ended 31 December 2019 will only be made if the proposed Ordinary Resolution 4 has been passed at the 46 <sup>th</sup> Annual General Meeting. |                      |

### Ordinary Resolution 5 - Payment of Directors' Benefit (Excluding Directors' Fees)

The Company is seeking the shareholders' approval for the following payment of benefit to its Directors pursuant to Section 230(1) of the Companies Act, 2016 for the period from the 46<sup>th</sup> Annual General Meeting to 47<sup>th</sup> Annual General Meeting to be held in 2021.

| Type of Benefit/Allowance   | Amount (RM)      |
|---|------------------|
| Meeting allowance (Board and Committees)  | 399,400          |
| Other benefits <ul style="list-style-type: none"> <li>Business travel, medical, insurance coverage and other claimable and reimbursement for the purpose of enabling the Directors to perform their duties</li> </ul> | 626,500          |
| <b>Total</b>  | <b>1,025,900</b> |

### Special Business

### Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions

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 Company's Circular to Shareholders dated 18 June 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019.

## MEASURES TO MINIMISE RISK OF CORONAVIRUS DISEASE (COVID-19)

In order to minimise the risk exposure to those attending the 46<sup>th</sup> Annual General Meeting ("46<sup>th</sup> AGM") to be held on Wednesday, 15 July 2020, the Company will take the following safety precautionary measures:

- To display sanitiser at the place accessible to all;
- All persons attending the 46<sup>th</sup> AGM shall undergo a temperature check;
- Any person who;
  - has a fever or is exhibiting flu-like symptoms; or
  - has within 14 days preceding the date of the 46<sup>th</sup> AGM travelled to or returned from countries/regions in respect of which the Ministry of Health Malaysia has issued travel advisories, quarantine orders, or equivalent precautionary measures to minimise the risk of community spread of COVID-19, will be declined entry to the 46<sup>th</sup> AGM.
- To observe social distancing; and
- Light refreshments will be served at the 46<sup>th</sup> AGM.

The Company seeks the understanding and cooperation from all shareholders and other attendees to contain the outbreak of COVID-19 pandemic.



# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## Names of Re-election/Election Directors:-

### Clause 77 of the Company's Constitution

- (a) Mr Tee Kim Tee @ Tee Ching Tee
- (b) 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 10 to 18 of the Annual Report); whilst their securities holdings (where applicable) are set out in the Analysis of Shareholdings - Directors' Interests in the Company and Related Corporations (page 147 of the Annual Report).

### Clause 76 of the Company's Constitution

YH Dato' Suhaimi Bin Mohd Yunus

### Election of Director

No individual is seeking election as a Director at the forthcoming 46<sup>th</sup> Annual General Meeting of the Company except for the Directors retiring by rotation and casual vacancy.

### Place, date and time of the 46<sup>th</sup> Annual General Meeting:

The 46<sup>th</sup> Annual General Meeting of the Company will be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on 15 July 2020 at 10.00 a.m.

### Details of Attendance of Directors at Board Meetings:

A total of nine (9) Board Meetings were held during the financial year ended 31 December 2019. Details of attendance of Directors holding office at the end of financial year are as follows:-

| Name                                     | Meeting Attendance | Date Appointed | Date Resigned |
|--|--------------------|----------------|---------------|
| YH Dato' Sri Kamaruddin Bin Mohammed     | 9/9                | 16/08/2002     | -             |
| YH Dato' Suhaimi Bin Mohd Yunus          | 2/4                | 05/07/2019     | -             |
| YH Dato' Jamaluddin Bin Abd Majid        | 8/9                | 08/07/2015     | -             |
| YH Datuk Mohd Afrizan Bin Husain         | 9/9                | 01/11/2018     | -             |
| Mr Tee Kim Tee @ Tee Ching Tee           | 8/9                | 16/08/2002     | -             |
| Mr Tee Cheng Hua                         | 9/9                | 16/08/2002     | -             |
| Mr Tee Lip Teng                          | 8/9                | 23/07/2012     | -             |
| Encik Nik Mohamed Zaki Bin Nik Yusoff    | 9/9                | 08/07/2015     | -             |
| YH Dato' Tan Bing Hua                    | 8/9                | 23/07/2012     | 31/03/2020    |
| YH Dato' Indera Wan Bakri Bin Wan Ismail | 1/2                | 17/03/2014     | 01/04/2019    |



# CORPORATE INFORMATION

## BOARD OF DIRECTORS



### YH Dato' Sri Kamaruddin Bin Mohammed

Group Executive Chairman  
Non-Independent, Executive Director

### YH Dato' Suhaimi Bin Mohd Yunus

Non-Independent, Non-Executive Director

### YH Dato' Jamaluddin Bin Abd Majid

Non-Independent, Non-Executive Director

### YH Datuk Mohd Afrizan Bin Husain

Independent, Non-Executive Director

### Mr Tee Kim Tee @ Tee Ching Tee

Non-Independent, Non-Executive Director

### Mr Tee Cheng Hua

Non-Independent, Senior Executive Director

### Mr Tee Lip Teng

Non-Independent, Non-Executive Director

### Encik Nik Mohamed Zaki Bin Nik Yusoff

Senior Independent, Non-Executive Director  
(Responsible For Investor Relations)

☎ 09-514 1936 / 948 / 339

📠 09-513 6211

✉ [nikmohamedzaki@fareh.po.my](mailto:nikmohamedzaki@fareh.po.my)

## SECRETARIES

**YH Dato' Asmin Binti Yahya**  
MIA10161 (201908003182)

**Puan Noor Anisah Binti Sabarudin**  
LS0008153 (201908003026)

☎ 09-514 1936 / 948 / 339

📠 09-513 6211

🌐 [www.fehb.com.my](http://www.fehb.com.my)

✉ [fareast@fareh.po.my](mailto:fareast@fareh.po.my)

## SHARE REGISTRAR

**Boardroom Share Registrars Sdn. Bhd.**

11<sup>th</sup> Floor, Menara Symphony  
No 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan

☎ 03-7890 4700

📠 03-7890 4670

✉ [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

## SENIOR MANAGEMENT TEAM

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

**Mr Tee Cheng Hua**  
Senior Executive Director,  
Plantations & Milling

**YH Dato' Asmin Binti Yahya**  
Chief Operating Officer

**Encik Nazaruddin Bin Hasim**  
Plantation Controller, Zone B

**Encik Adnan Bin Mustafa**  
Senior Regional Manager, Zone A

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

**Puan Rosliha Binti Husin**  
Manager, Finance

**Encik Norfadli Bin Mahrom**  
Head of Internal Audit

## STOCK EXCHANGE LISTING

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

## REGISTERED ADDRESS

Level 23, Menara Zenith  
Jalan Putra Square 6  
25200 Kuantan  
Pahang Darul Makmur

☎ 09-514 1936 / 948 / 339

📠 09-513 6211

🌐 [www.fehb.com.my](http://www.fehb.com.my)

✉ [fareast@fareh.po.my](mailto:fareast@fareh.po.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



# LOCATION OF OPERATIONS



- LOCATION OF ESTATES**
- 1 Sg. Batu
  - 2 Sg. Rasau
  - 3 Bukit Jin
  - 4 Cempaka
  - 5 Kampung Aur\*
  - 6 Dawn
  - 7 Bukit Serok
  - 8 Sg. Seraya
  - 9 Chengal
  - 10 Sg. Gayung\*
  - 11 Sg. Marung\*
  - 12 Delima
  - 13 Rangkaian
  - 14 DSK
  - 15 Lian Hup\*\*
  - 16 Sg. Sawak\*\*\*

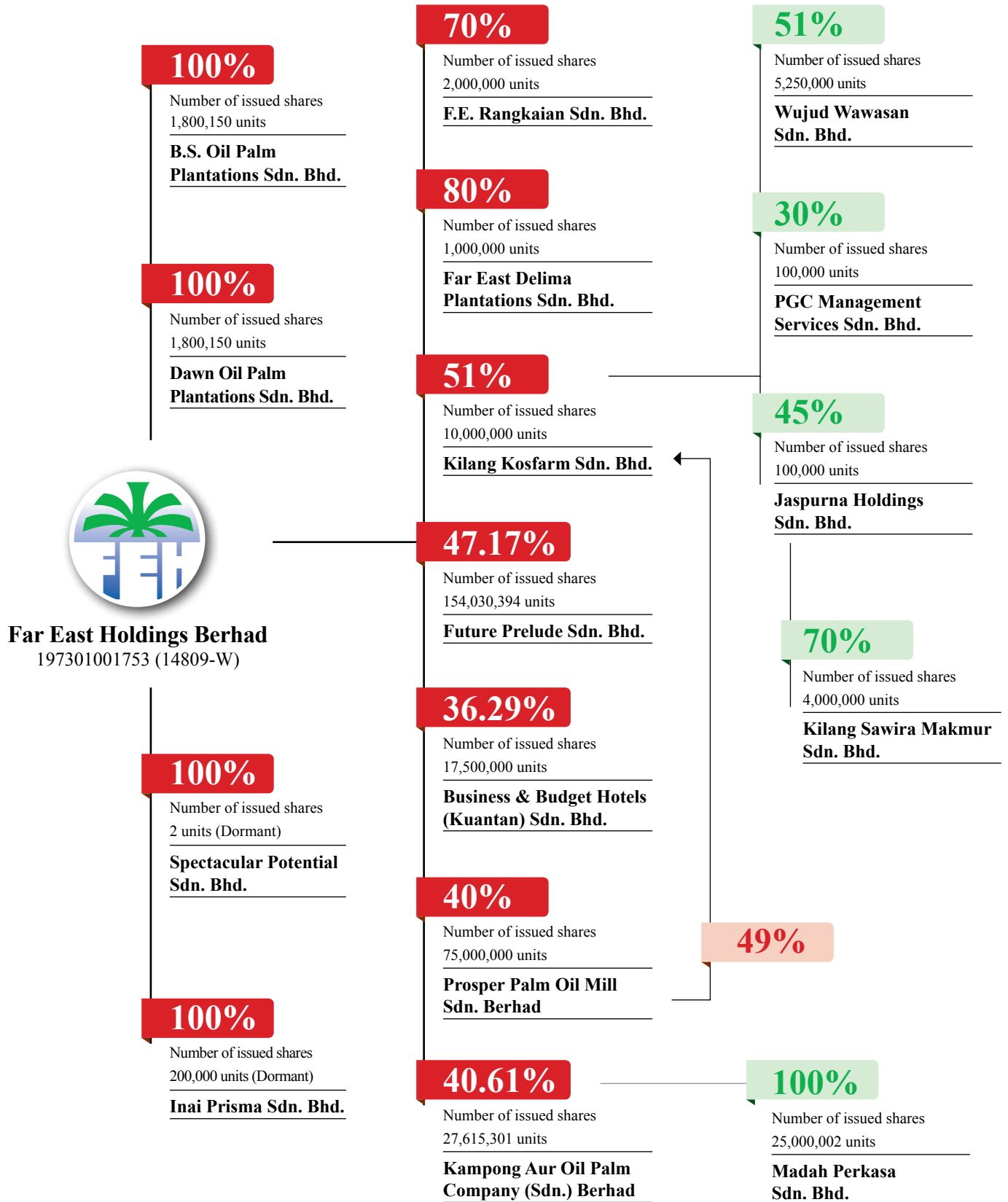
- LOCATION OF PALM OIL MILLS / BIODIESEL PLANT**
- A Kilang Kosfarm Sdn. Bhd.
  - B Kilang Sawira Makmur Sdn. Bhd.
  - C Wujud Wawasan Sdn. Bhd.
  - D Endau Palm Oil Mill Sdn. Bhd.
  - E Rompin Palm Oil Mill Sdn. Bhd.
  - F Future Prelude Sdn. Bhd.
  - G Prosper Palm Oil Mill Sdn. Berhad
  - H Merchong Palm Oil Mill Sdn. Bhd.

**Notes:**

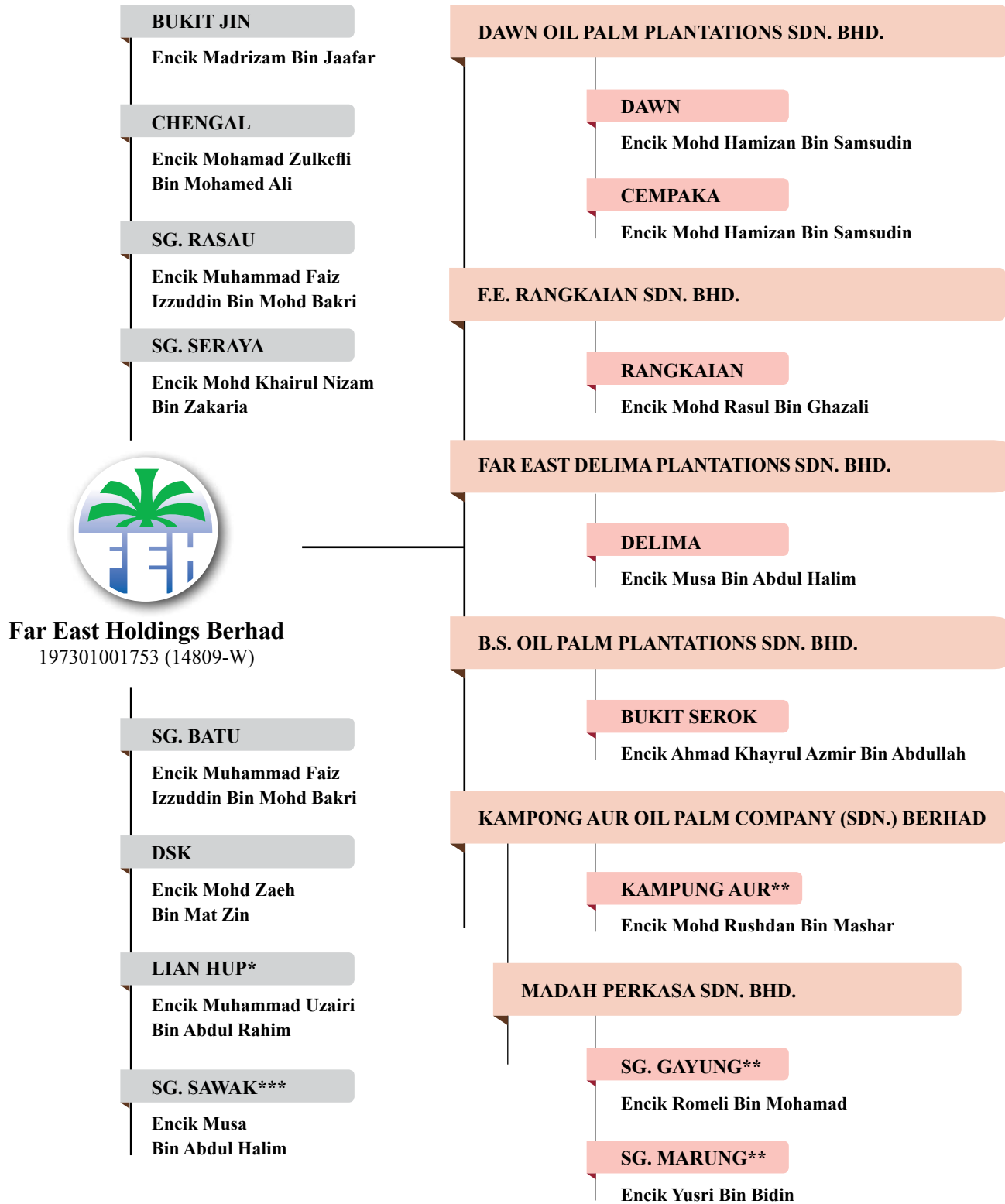
\* The estates under KAOP's Group are managed by FEHB.  
 \*\* As at the date of printing, the transaction for Lian Hup Estate has not been completed yet.  
 \*\*\* The land title for Sg. Sawak Estate is yet to be registered under FEHB's name.



# CORPORATE STRUCTURE



# ESTATES STRUCTURE



*Notes:*

\* As at the date of printing, the transaction for Lian Hup Estate has not been completed yet.

\*\* The estates under KAOP's Group is managed by FEHB.

\*\*\* The land title for Sg. Sawak Estate is yet to be registered under FEHB's name.



## DIRECTORS' PROFILE



### YH DATO' SRI KAMARUDDIN BIN MOHAMMED

SSAP, DSAP, DIMP, SF Fin (Aust)

- Group Executive Chairman
- Non-Independent, Executive Director

**AGE** 71

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

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

#### 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 41 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 LISTED ISSUER AND IN PUBLIC COMPANIES

- Pascorp Paper Industries Berhad
- Amanah Saham Pahang Berhad

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

- Direct - 11,340,000 units
- Indirect - 2,520,000 units

#### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

#### 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 nine meetings

## Directors' Profile



### YH DATO' SUHAIMI BIN MOHD YUNUS

*DSAP., DIMP., SMP., AAP., AMP.*

- Non-Independent, Non-Executive Director

**AGE** 54

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

- Diploma in Public Administration from Intan Bukit Kiara.
- Degree in Social and Politic at University Gadjah Mada, Indonesia.
- Master in Science Administration and Land Development of University Technology of Malaysia.

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

5 July 2019

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

Chairman of Risk Management Committee

#### WORKING EXPERIENCE

- He started his career in 1995 as Administration & Diplomatic Officer in Transport Ministry. Later he was transferred to Public Service Department.
- In 1997, he was transferred to Transport Ministry as Assistant Secretary and in 1999 he assumed the post as Assistant District Officer of Rompin, Pahang.
- He was promoted as Chief Assistant Secretary in 2003 and he served in a few Ministries i.e Agriculture and Natural Resources and Environment till 2005.
- He was appointed as Director of Pahang Sport Council until 2010 and later was promoted as Division Secretary and had served Economy Planning Unit and Pahang State Secretary Office.
- In 2012 to 2014 he was appointed as a Secretary Division of Human Resources of Pahang State/ Secretary Office.
- In 2014 he was appointed as Deputy State Secretary (Development) of Pahang State Secretary office till May 2019.
- Effective from 10 May 2019, he was appointed as the Chief Executive Officer of Perbadanan Kemajuan Pertanian Pahang.

#### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND 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

None

#### 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

Two of four meetings



## Directors' Profile



### YH DATO' JAMALUDDIN BIN ABD MAJID

*DPSK, DSAP, DIMP, PSPP, JMN, SMS*

- Non-Independent, Non-Executive Director

**AGE** 65

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

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

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

8 July 2015

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

None

#### 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 LISTED ISSUER AND IN PUBLIC COMPANIES

None

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Nil

#### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

#### 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

Eight of nine meetings



## Directors' Profile



### YH DATUK MOHD AFRIZAN BIN HUSAIN

*DPSM*

- Independent, Non-Executive Director

**AGE** 52

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

- Chartered Accountant

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

1 November 2018

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

- Chairman of Audit Committee
- Member of Risk Management Committee

#### WORKING EXPERIENCE

- Started his career in 1990 till 1998 with Messrs. Coopers & Lybrand being last position held was Manager of the Business Assurance Service.
- Later in 1999 till present, he became a partner of Messrs. Afrizan Tarmili Khairul Azahar, a public accountants practice.
- Datuk Mohd Afrizan's specialty is in statutory, internal and forensic audits as well as corporate exercise and business planning.
- He also had an extensive experience in insolvency practice. In addition to that he also provided advisory for tax compliance.

#### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Nil

#### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

#### 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

- Datuk Mohd Afrizan, as a Licensed Liquidator and Liquidator of a Listed Company, was publicly reprimanded by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 6 May 2019, for non-compliance of the Bursa Malaysia's ACE Listing Rules. Datuk Mohd Afrizan has made an application for Judicial Review to the High Court to challenge the validity of Bursa Malaysia's reprimand. The High Court has granted leave for Datuk Mohd Afrizan for the Judicial Review. The matter is currently being litigated in the Court.
- Datuk Mohd Afrizan, as an Auditor registered with the Audit Oversight Board ("AOB"), was sanctioned by the AOB on 25 November 2019 for non-compliance of the section 310 of the Securities Commission Malaysia Act 1993 ("SCMA"). However, Datuk Mohd Afrizan has made an application for Judicial Review to the High Court, Kuala Lumpur to quash the decision of the AOB/SC. The Court has granted leave to Datuk Mohd Afrizan for the Judicial Review and the stay of the sanction by the AOB until the Court has decided on the case. As a result, the sanction by AOB/SC is not effective until the Court case is concluded.

#### NUMBER OF FEHB BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

All nine meetings



## Directors' Profile



### MR TEE KIM TEE @ TEE CHING TEE

- Non-Independent, Non-Executive Director

**AGE** 71

**♂** Male

**🇲🇾** Malaysian

#### 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 49 years ago as an estate contractor and FFB dealer.
- Vast experience in managing palm oil plantations, palm oil milling and refinery business both as an owner as well as operator over the last 43 years.

#### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 19,578,720 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 the 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

Eight of nine meetings

## Directors' Profile



### MR TEE CHENG HUA

- Non Independent, Senior Executive Director

**AGE** 65

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

- Bachelor of Mechanical Engineering from University Technology Malaysia.

#### 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 Senior Executive Director of Prosper Group of Companies.

#### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

United Malacca Berhad

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 8,762,200 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 nine meetings



## Directors' Profile



### MR TEE LIP TENG

- Non-Independent, Non-Executive Director

**AGE** 36

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

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

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

23 July 2012

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

None

#### 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 Products Marketing Sdn. Bhd.
- He is also the Managing Director for Future Prelude Sdn. Bhd.
- Treasurer of Malaysian Biodiesel Association (“MBA”) since 2020.

#### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 1,260,000 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 the 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

Eight of nine meetings

## Directors' Profile



### ENCIK NIK MOHAMED ZAKI BIN NIK YUSOFF

- Senior Independent, Non-Executive Director

**AGE** 57

**♂** Male

**🇲🇾** Malaysian

#### QUALIFICATION

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

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

8 July 2015

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

- Member of Audit Committee
- Member of Remuneration Committee
- Member of Nomination 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 to date.
- 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 LISTED ISSUER AND 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

None

#### 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 nine meetings



## Directors' Profile



### YH DATO' TAN BING HUA

- Independent, Non-Executive Director

**AGE** 75

**♂** Male

**🇲🇾** 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.

#### DATE FIRST APPOINTMENT TO THE FEHB BOARD

23 July 2012

#### DATE OF RESIGNATION

31 March 2020

#### MEMBERSHIP OF FEHB BOARD COMMITTEES

- Chairman of Nomination Committee
- Member of Audit Committee
- Member of Risk Management Committee

*Dato' Tan Bing Hua had resigned from the Board of Directors, Audit Committee, Risk Management Committee and as Senior Director for Investor Relation of Far East Holdings Berhad with effect 31 March 2020*

#### 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 LISTED ISSUER AND IN PUBLIC COMPANIES

- Hua Yang Berhad

#### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

- Indirect - 184,800 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

Eight of nine meetings



## MANAGEMENT'S PROFILE



**YH DATO' SRI KAMARUDDIN BIN MOHAMMED**

AGE 71

 Male

 Malaysian

### POSITION ON THE FEHB BOARD

- Group Executive Chairman

### OTHERS PROFILE

- Dato' Sri Kamaruddin Bin Mohamed was appointed as the Group Executive Chairman of FEHB on 19 May 2015. He was the Chairman of FEHB since 2002 until elevated to Group Executive Chairman.
- His profile is listed in the Directors' Profile on page 10.



**MR TEE CHENG HUA**

AGE 65

 Male

 Malaysian

### POSITION ON THE FEHB BOARD

- Senior Executive Director, Plantations & Milling

### OTHERS PROFILE

- Mr Tee Cheng Hua was appointed as an Executive Director, Plantations on 16 August 2002 and his position was elevated to Senior Executive Director, Plantations & Milling on 1 January 2020.
- His profile is listed in the Directors' Profile on page 15.



## Management's Profile



**YH DATO' ASMIN BINTI YAHYA**

AGE 51      Female      Malaysian

### QUALIFICATION

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

### POSITION

- Chief Operating Officer/Company Secretary

### DATE JOINED

01 December 1995

### WORKING EXPERIENCE

- She was an external auditor with Messrs. Arthur Andersen & Co. (currently known as Messrs. Ernst & Young) before joining Yayasan Pahang as an Investment Officer. Later on she was transferred to Sumber Perindu Sdn. Bhd. (currently known as YP Plantation Holdings Sdn. Bhd.) as the Group Accountant.
- She joined FEHB in 1995. She as the Group Accountant until her promotion as General Manager in 2010 and her position was re-designated as Chief Operating Officer on 1 January 2020.

### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 315,000 units

### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

### 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



**ENCIK NAZARUDDIN BIN HASIM**

AGE 48      Male      Malaysian

### QUALIFICATION

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

### POSITION

- Plantation Controller, Zone B

### DATE JOINED

01 August 1993

### WORKING EXPERIENCE

- He has vast experience in estate operation and specialised in oil palm operation and labour management.

### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 2,100 units

### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

### 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

## Management's Profile



**ENCIK ADNAN BIN MUSTAFA**

**AGE** 56

Male

Malaysian

### QUALIFICATION

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

### POSITION

- Senior Regional Manager, Zone A

### DATE JOINED

02 September 1993

### 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

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Nil

### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

### 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** 53

Female

Malaysian

### QUALIFICATION

- Bachelor of Business Administration (Management and Marketing), Loyola University, United States of America

### POSITION

- Manager, Secretarial and Corporate Affairs

### DATE JOINED

04 July 1989

### WORKING EXPERIENCE

- She has been with the Company since 1989 and has worked in various divisions at the Head Office. She is now the Manager of Secretarial & Corporate Affairs. She was appointed as Secretary of the Company in 2002.

### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 26,040 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

None



## Management's Profile



**PUAN ROSLIHA BINTI HUSIN**

**AGE** 39 **Female** **Malaysian**

### QUALIFICATION

- Bachelor of Accounting (with Honours), UiTM
- Member of Malaysian Institute of Accountant (MIA)

### POSITION

- Manager, Finance

### DATE JOINED

01 April 2010

### WORKING EXPERIENCE

- She was an External Auditor at Messrs. Ernst & Young and Messrs Parker Randall Thomas for 5 years before joining FEHB in 2010.

### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Direct - 3,000 units

### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

None

### 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



**ENCIK NORFADLI BIN MAHROM**

**AGE** 42 **Male** **Malaysian**

### QUALIFICATION

- Diploma in Accountancy, UiTM
- Bachelor of Accountancy (with Honours), UiTM
- Member of the Institute of Internal Auditors (IIA) Malaysia
- Member of Malaysian Institute of Accountant (MIA)

### POSITION

- Head of Internal Audit

### DATE JOINED

1 October 2001

### WORKING EXPERIENCE

- He has been with FEHB since 2001. He was attached to Internal Audit since joining FEHB and was appointed as the Head of Internal Audit effective 1 January 2020.

### ANY OTHER DIRECTORSHIPS IN LISTED ISSUER AND IN PUBLIC COMPANIES

None

### SECURITIES HOLDINGS IN FEHB AND SUBSIDIARIES

Nil

### ANY FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER OF FEHB OR ITS SUBSIDIARIES

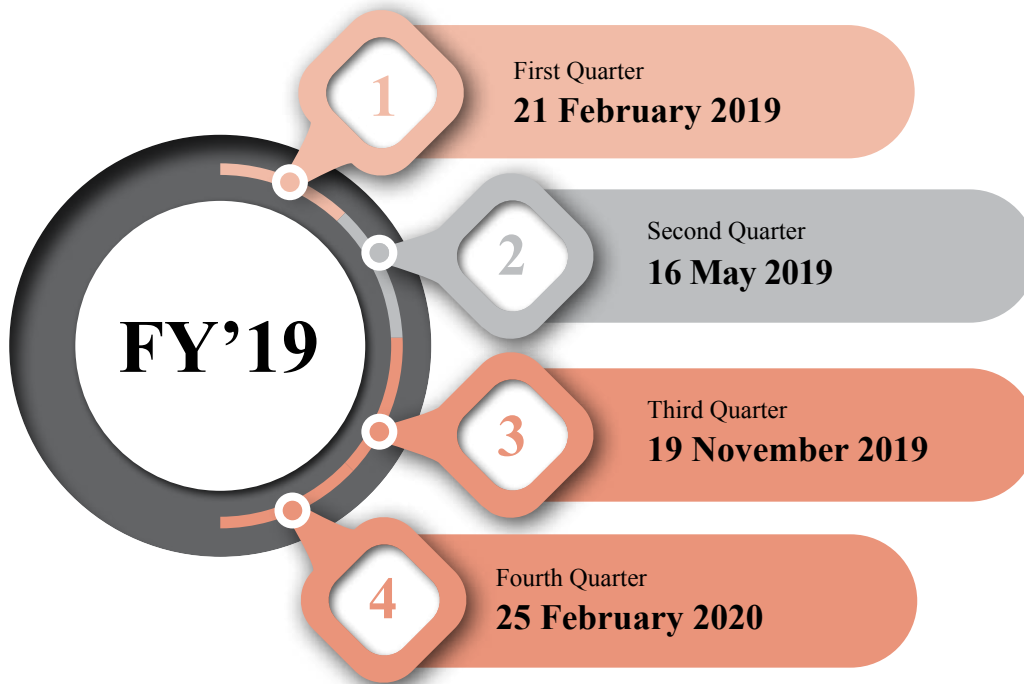
None

### 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 CALENDAR

## FINANCIAL YEAR ENDED 31 DECEMBER 2019



## NOTICE AND ANNUAL GENERAL MEETING

**18 June 2020**

Notice of Annual General Meeting

**15 July 2020 (10.00 a.m.)**

Annual General Meeting

## DIVIDENDS

|                                   | INTERIM          | SECOND INTERIM |
|-----------------------------------|------------------|----------------|
| Book Closure<br>Announcement Date | 19 November 2019 | 29 April 2020  |
| Entitlement Date                  | 9 December 2019  | 8 July 2020    |
| Payment Date                      | 17 December 2019 | 14 July 2020   |





# GROUP FINANCIAL SUMMARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

|                                     | 2019<br>RM'000 | Restated<br>2018<br>RM'000 | Restated<br>2017<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
|-------------------------------------|----------------|----------------------------|----------------------------|----------------|----------------|
| <b>Assets</b>                       |                |                            |                            |                |                |
| Non-current assets                  |                |                            |                            |                |                |
| Property, Plant and Equipment       | 272,688        | 584,892                    | 658,054                    | 662,080        | 839,517        |
| Right of Use Assets                 | 316,923        | -                          | -                          | -              | -              |
| Investment Property                 | 60,000         | -                          | -                          | -              | -              |
| Associates                          | 459,481        | 439,042                    | 371,382                    | 375,640        | 320,583        |
| Other Financial Assets              | 731            | 731                        | 724                        | 3,000          | 3,000          |
| Biological Asset                    | 646            | -                          | 612                        | -              | -              |
|                                     | 1,110,469      | 1,024,665                  | 1,030,772                  | 1,040,720      | 1,163,100      |
| Current Assets                      | 133,474        | 134,111                    | 271,516                    | 396,752        | 362,335        |
| <b>Total Assets</b>                 | 1,243,943      | 1,158,776                  | 1,302,288                  | 1,437,472      | 1,525,435      |
| <b>Equity and Liabilities</b>       |                |                            |                            |                |                |
| Capital and Reserves                |                |                            |                            |                |                |
| Share Capital                       | 197,946        | 197,946                    | 188,243                    | 141,390        | 141,390        |
| Share Premium                       | -              | -                          | -                          | -              | 47,998         |
| Non-Distributable Reserves          | -              | -                          | -                          | 46,853         | 402,834        |
| Retained Earnings                   | 873,338        | 810,047                    | 814,009                    | 817,539        | 645,631        |
| Shareholders' Equity                | 1,071,284      | 1,007,993                  | 1,002,252                  | 1,005,782      | 1,237,853      |
| Non-Controlling Interests           | 35,364         | 33,733                     | 135,763                    | 236,268        | 77,375         |
|                                     | 1,106,648      | 1,041,726                  | 1,138,015                  | 1,242,050      | 1,315,228      |
| <b>Liabilities</b>                  |                |                            |                            |                |                |
| Non-Current Liabilities             |                |                            |                            |                |                |
| Hire Purchase                       | -              | -                          | -                          | 23             | 58             |
| Lease Liabilities                   | 16,440         | -                          | -                          | -              | -              |
| Deferred Tax Liabilities            | 87,186         | 83,128                     | 115,535                    | 117,639        | 166,157        |
|                                     | 103,626        | 83,128                     | 115,535                    | 117,662        | 166,215        |
| Current Liabilities                 | 33,669         | 33,922                     | 48,738                     | 77,760         | 43,992         |
| <b>Total Liabilities</b>            | 137,295        | 117,050                    | 164,273                    | 195,422        | 210,207        |
| <b>Total Equity and Liabilities</b> | 1,243,943      | 1,158,776                  | 1,302,288                  | 1,437,472      | 1,525,435      |



## Group Financial Summary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

|                   | 2019<br>RM'000 | Restated<br>2018<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
|-------------------|----------------|----------------------------|----------------|----------------|----------------|
| Revenue           | 381,129        | 379,825                    | 482,733        | 357,163        | 327,736        |
| Profit Before Tax | 103,141        | 72,153                     | 171,647        | 150,602        | 102,354        |
| Profit After Tax  | 84,788         | 56,536                     | 140,190        | 128,780        | 80,652         |

### HIGHLIGHTS AS AT 31 DECEMBER

|   | 2019  | Restated<br>2018 | Restated<br>2017 | 2016  | 2015  |
|---|-------|------------------|------------------|-------|-------|
| Earnings Per Share (Sen)                                    | 13.47 | 16.00            | 80.67            | 85.50 | 50.41 |
| Net Tangible Asset<br>Per Share (RM)                        | 1.86  | 3.85             | 8.05             | 8.78  | 9.30  |
| Current Ratio (Times)                                       | 3.96  | 3.95             | 5.57             | 5.10  | 8.24  |
| Pre Tax Profit As a Percentage of Sale (%)                  | 27.06 | 19.00            | 35.56            | 42.17 | 31.23 |
| Pre Tax Profit As Percentage of<br>Shareholders' Equity (%) | 9.63  | 7.16             | 17.13            | 14.97 | 8.27  |
| Profit Before Tax Margin (%)                                | 27.06 | 19.00            | 35.56            | 42.17 | 31.23 |
| Profit After Tax Margin (%)                                 | 22.25 | 14.88            | 29.04            | 36.06 | 24.61 |

### DIVIDENDS DECLARED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

|                      | 2019 | 2018 | 2017  | 2016  | 2015  |
|----------------------|------|------|-------|-------|-------|
| Gross Dividend (Sen) | 2.50 | 3.00 | 35.00 | 35.00 | 25.00 |

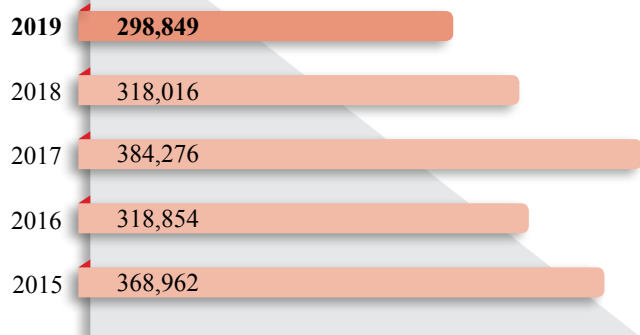


# PLANTATION MATRIX

|                                 |         | 2019    | 2018    | 2017    | 2016    | 2015    |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Oil Palm Production</b>      |         |         |         |         |         |         |
| FFB Production                  | Mt      | 298,849 | 318,016 | 384,276 | 318,854 | 368,962 |
| CPO Production                  | Mt      | 55,423  | 60,440  | 71,006  | 58,899  | 69,597  |
| FFB Yield                       | Mt/hect | 19.19   | 18.75   | 19.54   | 16.66   | 19.93   |
| CPO Yield                       | Mt/hect | 3.56    | 3.57    | 3.61    | 3.08    | 3.76    |
| Average OER                     | %       | 18.55   | 19.01   | 18.48   | 18.47   | 18.86   |
| <b>Price and Cost</b>           |         |         |         |         |         |         |
| CPO Average Price               | RM/mt   | 2,122   | 2,316   | 2,771   | 2,627   | 2,172   |
| PK Average Price                | RM/mt   | 1,257   | 1,785   | 2,531   | 2,559   | 1,626   |
| Kernel Recovery Revenue         | RM/mt   | 319     | 458     | 665     | 689     | 410     |
| FFB Cost (Ex-estate)            | RM/mt   | 212     | 219     | 177     | 208     | 180     |
| CPO Production Cost (Ex-estate) | RM/mt   | 1,118   | 1,153   | 960     | 1,124   | 954     |
| <b>Land Areas</b>               |         |         |         |         |         |         |
| Mature area                     | Hectare | 15,570  | 14,384  | 19,699  | 19,136  | 18,512  |
| Total Planted Area              | Hectare | 16,160  | 16,141  | 21,167  | 21,191  | 21,373  |

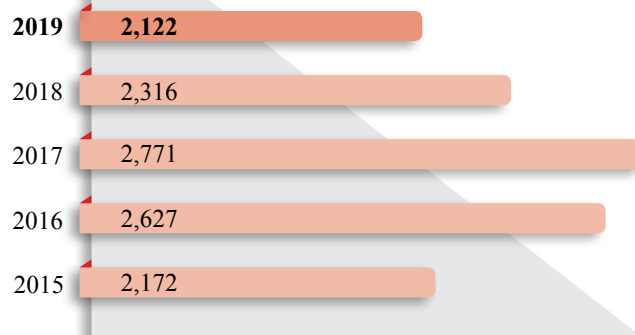
## 5 Years FFB Production

FFB Production (mt)



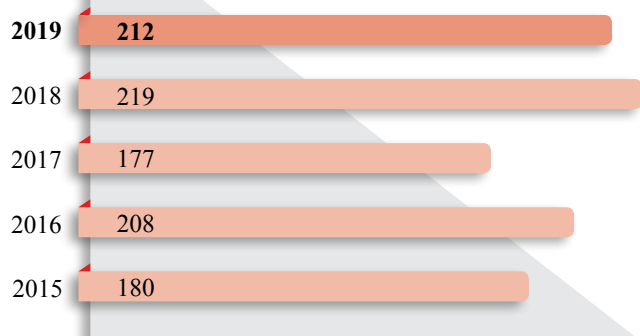
## 5 Years CPO Average Price

CPO Average (RM/mt)



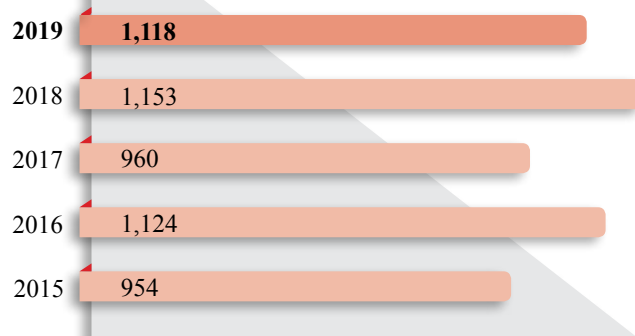
## 5 Years FFB Cost per MT

FFB Cost per MT (RM/mt)



## 5 Years CPO Cost per MT

CPO Cost per MT (RM/mt)



# CORPORATE SUSTAINABILITY STATEMENT

## Commitment and Approach

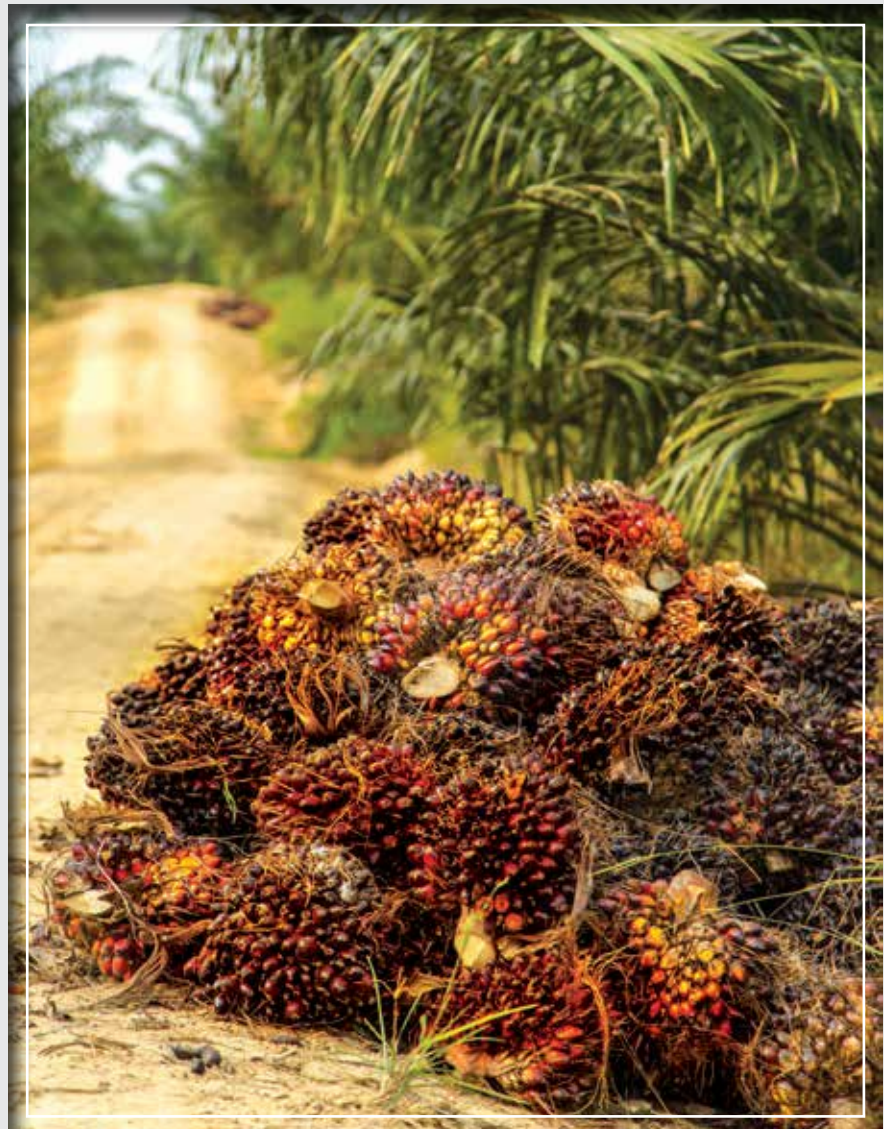
At Far East Holdings Berhad (“FEHB”), the essential elements of sustainability have always been the highlight of our operation since 2008 with our early collaboration with Malaysian Palm Oil Board (“MPOB”). In years of training and developing systems to be integrated into our operations with the aim to achieve positive impacts to the environment, business and society in which the Group operates, we embrace the need to co-exist in harmony with the environment and our stakeholders. With this in mind, the Group’s sustainability journey has been driven to a whole new level with the establishment of a Sustainability and Governance Department led by key personnel with active participation from employees. The Board of Directors (“Board”) is also responsible for monitoring the implementation of our Sustainability Agenda. Our Sustainability Agenda guides FEHB towards becoming a sustainable and integrated palm oil player over the long-term, including achieving full Malaysian Sustainable Palm Oil (“MSPO”) certification by 2020.

A paradigm shift and mindset change has therefore been initiated for a pervasive transformation towards a meaningful and impactful journey of sustainability for the Group as we believe in meeting the needs of the present without compromising that of the future generations.

Over the years, FEHB has continued to interact with various different stakeholders in order to pursue its commercial objectives. Comprehensive stakeholder engagements have been conducted in various and interactive manner to identify key material matters in accordance to guidelines by Bursa Malaysia Securities Berhad. Stakeholder engagement methods are employed to capture feedbacks and opinions from both internal and external stakeholders

pertaining to the importance and impacts of Economic, Environmental and Social (“EES”) risks and opportunities that are deemed crucial to sustainable development. Regular engagement with stakeholders for a varied yet insightful range of perspectives and views in relation to products, services and corporate practices are of paramount importance to the Group as it provides vital insights for continual improvement in the delivery of our products and services, and for sustainable business growth.

Sustainability is a journey of continuous improvement, where we embrace change and seek to do better for the sake of our future generations. With the progress made in 2019, we acknowledge that more could be done towards sustainable growth. We will continue our efforts in creating a shared environment that not only secures future agricultural growth and quality products, but also addresses the collective needs of our stakeholders as well as the environment.







# Corporate Sustainability Statement

## Economic

FEHB is an oil palm plantation operator established in 1973 and listed in 1991. Today, FEHB and its subsidiaries operate eleven (11) estates covering 16,160 hectares (equivalent to 39,931 acres). The operation is supported by 181 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 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 and principles and criteria of Malaysian Sustainable Palm Oil certification (“MSPO”) and International Sustainability and Carbon Certification (“ISCC”).

We embrace new technology and empowerment of human resources through training and development for our stakeholders in the outsourced areas.

## Environmental

### Development of the Estates and Preserving the Environment

FEHB embraces the No Deforestation, No Peat, No Exploitation Policy (“NDPE”) and implemented this policy in 2019. Our NDPE commitment is outlined in FEHB’s Sustainable Palm Oil Policy that is highlighted in our website and displayed at all operating units. We have taken steps to manage any possible adverse environmental impact arising from our operations. All physical development within the Group shall obtain the Environmental Impact Assessment (“EIA”) and all environmental impact risk shall be managed and mitigated through the Environmental Management Plan (“EMP”) that is approved by Department of Environment (“DOE”).

The Group will also endeavor to enhance its contributions to better fulfill its environmental responsibilities. For new development areas, we work together closely with non-governmental organisations, experts and local communities to identify and map out the potential high carbon stock areas and areas of high value to the respective communities.

In 2019, FEHB had officially allocated 122 hectares (equivalent to 343.47 acres) in Sg. Sawak Estate, Rompin, Pahang for permanent peat area conservation purposes. We are also in the process of identifying, marking and evaluating another 139 hectares (301.46 acres) of forest area within the Group to be allocated for permanent forest conservation. We are working with several non-governmental organisations, experts and government agencies on the forest conservation and to further enhance the bio-diversity of the areas.

The Group advocates sustainable oil palm cultivation. The sustainability certification under the MPOB Code Of Practice (now known as MPOB Code Of Good Agriculture Practice) obtained by the Group in 2009 for Bukit Serok Estate, Sg. Seraya Estate, Dawn Estate, Kampung 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.

It is essential to our premise in providing continuous monitoring and preventive approach on environmental-related activities in order to promote healthy working environment, deliver quality products and services and improve our environmental stewardship.

## Sustainability Certification

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 Practice (“CoGAP”) by the MPOB.

Additionally, the Group is diligently pursuing the ISCC, which is the first international certification system that can be used to prove sustainability and greenhouse gases (“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 six (6) estates and one (1) mill.



# Corporate Sustainability Statement



## Social

### Our People

We recognise our stakeholders as being key enablers who support our business activities, contribute to our success, and to whom we owe a duty to care and to share value created. Our approach to sustainability takes into consideration the long-term impact resulting from our activities for both the Group and our stakeholders. As such, we have proactively engaged with our stakeholders.

A sustainable business is one that enriches its people and the communities which they operate in. As a caring employer, we strive to create a conducive working environment for all our employees. We continue to be a committed employer that practices good labour and human relationship for our diverse background of employees. We offer competitive compensation and benefits to attract and retain the best talents for the sustainability of our Company. We support their personal and professional development and promote work-life balance while ensuring their health and safety.

We fulfill staffing needs for different departments within our Group's operations. These include not only the management and administrative staff, but also supervisory staff, local and foreign workers. The employees strive for excellence every day by sharing knowledge with one another, brainstorming new and more environmental-friendly ways of working and enriching each other's lives. We value our people and reward their hard work with career development opportunities and further training prospects.

As a responsible employer, FEHB takes the health and wellbeing of its employees seriously. We encourage our employees to adopt a healthy lifestyle by helping them engage in outdoor activities and sports. We organised recreational activities and sports day for the foreign workers. These give our employees time to relax and mingle with their colleagues from other departments and also other estates.

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 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 complete MSPO certification in the near future. To date, we have obtained MSPO certification for

all the following eleven (11) estates in year 2019:-

- (1) Sg. Seraya Estate
- (2) Bukit Jin Estate
- (3) Sg. Batu Estate
- (4) Sg. Rasau Estate
- (5) Chengal Estate
- (6) DSK Estate
- (7) Bukit Serok Estate
- (8) Dawn Estate
- (9) Cempaka Estate
- (10) Delima Estate
- (11) Rangkaian Estate

During the certification process, our employees were given the appropriate training and guidance. Topics covered in the development programs range from the importance of sustainability to Good Agricultural Practices.





# Corporate Sustainability Statement

In 2019, we invested RM77,196 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 Sports Carnival, Annual Fishing Competition, Bowling Tournament and regular health check. We engaged with our employees through activities such as Family Day, Sports Day, Breaking Fast Programme, Hari Raya Open House, Bubur Asyura Programme, Best Employee Award, Best Decorated Estate Award and also participation in employment carnival for career opportunities.

We believe in investing in millennials and to contribute to prepare and cultivate the next generation of workforce via our undergraduate internship programmes. We accepted twenty four (24) students who had successfully completed their internship in various fields.

### Occupational Safety and Health Compliance

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 Group OSHA Committees and Sub-Committees at every operating unit to ensure that the OSHA Policy 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”).

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 established to govern the distribution, usage, storage and maintenance of PPE. Repetitive and scheduled interval trainings are also given on the safe and proper use of PPE and First Aid in order to protect employees’ safety at the work place from hazardous chemicals.

Training organised for the 2019 are as follows:-

| Date              | Training  |
|-------------------|---|
| 16 January 2019   | Talk On Biodiversity Conservation By Perhilitan Negeri Pahang |
| 24 - 25 June 2019 | First Aid Training  |
| 25 April 2019     | Stakeholder meeting with Prosper Kemayan                      |
| 03 June 2019      | Talk On Biodiversity Conservation By Perhilitan Negeri Pahang |
| 24 June 2019      | Talk On Environmental Conservation                            |
| 24 - 25 June 2019 | First Aid Training  |
| 25 June 2019      | HIRARC for Plantation (Oil Palm Estate) Organised By JKPP     |
| 19 September 2019 | Latihan Perladangan Pintar Kelapa Sawit                       |

## Corporate Sustainability Statement

| Date                  | Training  |
|-----------------------|---|
| 30 September 2019     | Risk Management Meeting Training To Estate Management                     |
| 21 October 2019       | Risk Management Meeting Training To Estate Staffs                         |
| 13 - 14 November 2019 | Kursus Persediaan Audit Dalaman Bagi Memenuhi MSPO Bagi Ladang dan Kilang |
| 13 November 2019      | Chemical Handling by G-Planter  |
| 25 November 2019      | MSPO Awareness Training   |
| 27 November 2019      | Risk Based Thinking Management  |

### *Our Commitment In NDPE Implementation In Support Of Sustainable Palm Oil*

NDPE Policy that aims to advance an environmentally and socially responsible palm oil industry, was pioneered by Wilmar International in December 2013. The key to this Policy is the scope which extends beyond the operation of own plantations and mills to include joint ventures regardless of shareholding and third-party suppliers.

Consumerism is the major force that influence manufacturers, retailers and traders all over the world to remove deforestation from their supply chains. Without exception, FEHB is making swifter progress towards meeting this commitment.

FEHB had outlined its NDPE Policy implementation plan for five (5) years which includes the followings:-

- (1) NDPE Implementation Plan;
- (2) Traceability to plantations and vendors;
- (3) Raising NDPE awareness;
- (4) Conservation of forest and rivers;
- (5) Retention of workforce; and
- (6) Stakeholder engagement.



The NDPE Implementation Plan had started in February 2019 and we had progressed aggressively to ensure that the five (5) years target is met.

In the age of consumerism and the millennials demand for sustainable future, FEHB had responded positively with the new approach of business expansion with acquisition of existing developed plantation and avoiding from developing a new area that would cause deforestation and destruction of ecology. In this process, FEHB will also avoid any area known to be High Conservation Value or High Carbon Stock areas.

FEHB also believes in maximizing the investment return through sustainable lean operation with high yield planting materials and high productivity with investment in mechanization. Mechanization will not suppress the need for manpower but a sustainable way to increase the workforce's income in line with the increase of productivity.

We are also working on the transparencies of our production methods and avoiding any possibility of labour, land and human rights violations.

With the MSPO and ISCC certifications in place, we are committed to adhere to the criteria and take action when there is evidence of non-compliance.

FEHB will continue to promote sustainable palm oil as we believe that oil palms do not need to be grown at the expense of destroying forests and other sensitive natural habitats. Instead we need to break the link between development and the degradation of natural ecosystems.

We are also working with the conservation organisations committed to drive the palm oil industry in the right direction and support a move for sustainable palm oil.





# MANAGEMENT DISCUSSION AND ANALYSIS

Far East Holdings Berhad (“FEHB” or “the Group”) is pleased to present our Management Discussion and Analysis for the financial year ended 31 December 2019 (FY2019). This report outlines our efforts in realising our economic, environmental and social goals as our business and operations set down the path of sustainable growth now and in the future.

For the past 47 years since its 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 31 December 2019, the Group has eleven (11) estates with a total oil palm planted area measuring 16,160 hectares (equivalent to 39,931 acres). Approximately 96% of total planted oil palm are classified as mature. The total weighted average palm age is 11.66 years.

The Group has eleven (11) palm oil estates across Pahang namely Bukit Jin Estate, Chengal Estate, Sungai Batu Estate, Sungai Rasau Estate, Sungai Seraya Estate, DSK Estate, Bukit Serok Estate, Dawn Estate, Cempaka Estate, Delima Estate and Rangkaian Estate.

The Group sells CPO using the average price mechanism set by Malaysian Palm Oil Board (“MPOB”). The Group is a price taker and not price maker, and manages risks by constantly monitoring the price trends of all major oils, fats and crude oil prices. Certification from the Malaysian Sustainable Palm Oil (“MSPO”) and International Sustainability Carbon Certificate (“ISCC”) are a competitive advantage to the Group since it enables us to obtain premium prices for CPO and PK and assist in our branding strategy to improve trust from Group’s customers. This is also an acknowledgement of Group’s adherence to good economic, environmental and social standards in the production of sustainable palm oil.

As at 31 December 2019, the total FFB production for the Group in the reporting year was 298,849 metric tonne (“MT”) against 318,016MT in year 2018. Lower production during the year under review was due to exclusion of production from estates under Kampong Aur Oil Palm Company (Sdn.) Berhad (“KAOP”)’s Group effective 1 July 2018.

The Group recorded higher FFB yield which was 19.19MT per hectare compared to average yield in Pahang State and Peninsular Malaysia in 2019 which are 17.99MT per hectare and 17.95MT per hectare respectively due to the improvement in overall estates FFB production in FY2019 as compared to FY2018, except for Delima Estate in Rompin, Pahang which was seriously affected by flood during monsoon season.

In FY2019, CPO and PK were realised at an average price of RM2,122 per metric tonne and RM1,257 per MT respectively (FY2018: Average CPO price of RM2,316 per MT and average PK price of RM1,785 per MT). Both CPO and PK are suffering declines in average prices by 8% and 30% respectively as compared to previous year.

## Group Financial Review

The Group managed to record an overall commendable performance in FY2019 despite it being a challenging year. Corresponding to the challenging plantation industry, the Group’s revenue for FY2019 has shown slight increase by 0.34% to RM381.13 million compared to RM379.83 million registered in FY2018. The breakdown of Group’s revenue is as per below:

| Revenue              | 2019<br>RM’000 | 2018<br>RM’000<br>Restated |
|----------------------|----------------|----------------------------|
| Plantation operation | 121,323        | 148,004                    |
| Milling operation    | 259,806        | 231,821                    |
| <b>Total revenue</b> | <b>381,129</b> | <b>379,825</b>             |

Increase in Group’s revenue by 0.34% for FY2019 as compared to the previous year was mainly due to increase in revenue from milling operation by 12% as compared to previous year.

However, the revenue from plantation operation for FY2019 declined by 18% compared to FY2018 due to:-

- Lower production of FFB in FY2019 by 6% (19,167MT) due to the exclusion of production from estates under the Group of KAOP effective 1 July 2018. KAOP Group consists of Kampung Aur Estate, Sungai Gayung Estate and Sungai Marung Estate totalling 6,286 hectares (equivalent to 15,533 acres) of planted areas and 121,097MT FFB produced in FY2019; and
- Lower average of CPO and PK price by 8% (RM194 per MT) and 30% (RM528 per MT) respectively as compared to FY2018.

## Management Discussion and Analysis

Breakdown of the profit before tax is shown below:-

|   | 2019<br>RM'000 | 2018<br>RM'000<br>Restated |
|---|----------------|----------------------------|
| Profit from plantation operation          | 27,184         | 38,580                     |
| Profit from milling operation             | 4,482          | 5,527                      |
| Share of profit from associated companies | 30,769         | 15,181                     |
| Other income                              | 2,536          | 11,074                     |
| Fair value gain on investment property    | 37,587         | -                          |
| Finance income                            | 583            | 1,791                      |
| <b>Profit before tax</b>                  | <b>103,141</b> | <b>72,153</b>              |

The Group's profit before tax increase by RM30.99 million (43%) in FY2019 as compared to FY2018 was mainly due to:-

- Recognition of fair value gain from investment property for Bandar Indera Mahkota Land of RM37.59 million; and
- Higher share of profit from associates by RM15.59 million (103%) mainly from Prosper Palm Oil Mill Sdn. Berhad and Future Prelude Sdn. Bhd. of RM15.60 million and RM9.70 million respectively.

Lower other income recorded in FY2019 by 77% as compared to previous year was mainly due to gain on disposal of land of Jasa Unik Sdn. Bhd. and TR Plantations Sdn. Bhd. which were recognised in FY2018 amounting to RM7.20 million.



### Plantation Operations

Plantation is the core business of the Group which engages in the cultivation of oil palm and processing of palm oil, with operations in seed breeding, cultivation and crop oil extraction. Key results indicators for plantation are as per below:-

|                   | Unit    | 2019    | 2018    |
|-------------------|---------|---------|---------|
| FFB Production    | MT      | 298,849 | 318,016 |
| CPO Production    | MT      | 55,423  | 60,440  |
| FFB Yield         | MT/ha   | 19.19   | 18.75   |
| Average OER       | %       | 18.55   | 19.01   |
| CPO Yield         | MT/ha   | 3.56    | 3.57    |
| Average CPO Price | RM/MT   | 2,122   | 2,316   |
| Average PK Price  | RM/MT   | 1,257   | 1,785   |
| Mature Area       | Hectare | 15,570  | 14,384  |
| Total Area        | Hectare | 16,160  | 16,141  |



## Management Discussion and Analysis

The Group registered revenue of RM121.32 million from plantation operation which is 18% lower as compared to previous year due to exclusion of production from estates under the Group of KAOP effective 1 July 2018. The Groups' palm oil estates are located in Pahang state, Malaysia with abundance rainfall distribution. The age profile of Group's palm oil tree for FY2019 is as per below:-

| Particulars              | 2019          |            | 2018          |            |
|--------------------------|---------------|------------|---------------|------------|
|                          | Hectare       | %          | Hectare       | %          |
| >19 years (old palms)    | 1,973         | 12         | 1,119         | 7          |
| 7-18 years (prime palms) | 11,237        | 70         | 11,228        | 70         |
| 4-6 years (young palms)  | 2,360         | 14         | 2,037         | 12         |
| 1-3 years (immature)     | 590           | 4          | 1,757         | 11         |
| <b>Total</b>             | <b>16,160</b> | <b>100</b> | <b>16,141</b> | <b>100</b> |

70% of palm oil trees are prime palms which contribute to a higher yield per hectare in FY2019 (19.19MT per hectare). The Group prescribes specific measures to raise yield per hectare and at lower production costs by increasing productivity through a mechanization process towards improving efficiency of estate management. The mechanization process includes introduction of mini dumper, mini crawler and Bin-system for in-field collection and internal transportation of FFB. The Group provides interest free loans to its contractors in order to mechanize their operations. The good rainfall distribution in 2017 and 2018 has also contributed to the increase in female palm oil's inflorescence ratio which in turn contributes to better yield per hectare.

Labour shortage is the recurring challenge faced by Malaysian palm oil industry. At Group level, the number of foreign workers at estate level for FY2019 is 764 which is higher than FY2018 (608 workers), with the majority of the workers being Indonesians. Throughout FY2019, the Group recorded 377 workers' recruitment, whilst 101 absconded and 87 returned to homeland. To reduce the number of absconded workers and encourage the performance of workers, the Group had continued to provide various incentives for its workers.

The estate drainage systems are properly maintained by the estate's management. The contracts of constructing of new drainage systems, cleaning and desilting drainage systems had continued to be awarded to reputable and proven contractors with the completion of the jobs within the proposed timeline. The estate's operations are being monitored by qualified, skillful and experienced agronomists who recommend the best fertilizers programs and govern all procedures of estates management.



The average cost of FFB for the Group is RM212 per MT in FY2019 which is 3% lower compared to the previous year of RM219 per MT. The Group closely monitor the operating expense at estate level as part of cost control initiatives. In terms of operational efficiency, the average yield per hectare for the Group for FY2019 is improving by 2% to 19.19MT per hectare (FY2018: 18.75MT per hectare).

### Milling Operations

Milling is a crucial part of the Group's operation which accounted for 68% of its revenue (FY2019). The Group operates two (2) palm oil mills, namely Kilang Kosfarm Sdn. Bhd. ("KKSB") and Wujud Wawasan Sdn. Bhd. ("WWSB") with processing capacity of 60 metric tonne per hour for each mill. The Group's revenue

from milling operations is RM259.81 million, 12% higher when compared to FY2018 (RM231.82 million) which was mainly due to higher FFB processed for both mills namely KKSB and WWSB.

KKSB and WWSB recorded total FFB processed of 475,310MT which is an increase by 10% (42,280MT) in FY2019 (FY2018: 433,030MT). The production capacity of both mills remains at 60MT per hour (FY2018: 60MT per hour). The average OER for CPO and PK achieved by both mills for FY2019 are 20.10% and 5.34% respectively which are lower than previous year (FY2018: CPO OER 20.13%, PK OER 5.39%).

Good milling practises are constantly being implemented with the aim to improve productivity and efficiency.

## Management Discussion and Analysis

### Capital Expenditure

During the year under review, the Group spent a total of RM14.00 million in capital expenditure as compared to RM127.82 million in FY2018. The capital expenditure incurred mainly on new acquisition of oil palm plantation land, replanting, upgrading of mills, constructions of staff and labour quarters, facilities in compliance of MSPO and ISCC certifications and purchase of agricultural equipment and vehicles.

### Proposed Acquisitions

On 29 April 2019, FEHB had entered into a Sale and Purchase Agreement (“Agreement”) with Harn Len Corporation Bhd. for the Proposed Acquisition of 2,124.5 hectares (equivalent to 5,249.7 acres) oil palm plantation land inclusive of a 40MT FFB/Hour rated capacity palm oil mill. The Vendor is the registered owner of the above land, all in the Mukim Keratong, District of Rompin, Negeri Pahang planted with oil palm trees together with all buildings and structures erected thereon including a palm oil mill and known as Lian Hup Oil Palm Estate. The aggregate purchase price for the Proposed Acquisition is RM182.99 million.

On 12 February 2020, FEHB had entered into a Sale and Purchase Agreement with Perbadanan Setiausaha Kerajaan Negeri Pahang (“PSK”) for the Proposed Acquisition of Property held under H.S.(D) 5663, PT 8183, Mukim Rompin, District of Rompin, Pahang for 796.207 hectares (equivalent to 1,967.472 acres) for RM15.87 million.

These Proposed Acquisitions are in line with the expansion plan of FEHB and would broaden FEHB’s core income base through increased plantation acreage at a reasonable cost and at a strategic location vis-a-vis its existing plantation assets.

Upon completion of these Proposed Acquisitions, the land bank of FEHB would be increased from 16,160 hectares (equivalent to 39,932 acres) to 19,081 hectares (equivalent to 47,149 acres).

### Human Capital

Skilled employees and experienced management team are our greatest assets. Over the years, FEHB has focused on talent investment, training, leadership development and career planning initiatives to maintain a good quality pool of in-house talents within the Group. Over 136 staff participated in various training and development programmes for the year, which recorded a total investment of RM77,196.

We are focused on supporting our employees throughout their professional lives by implementing training and development programmes, as well as promoting values that engender positive working culture and work-life balance. Our operating units

ensure continuous talent enrichment process by listening to their staff needs, and valuing their skills and contributions with fair remuneration and succession-planning initiatives.

For FY2019, the Group reached a total headcount of 181 people made up primary of employees in estates who represent 80% (144 personnel) of Group’s employees. The number of foreign labour had increased from 608 in FY2018 to 764 in FY2019.

The Group’s human capital policy calls for fair and equal opportunities where the remuneration policy strives to be competitive and rewarding performance without discrimination of any form. In support of national initiatives, the Group complies with the national minimum wage requirement.

We constantly review our employee value proposition to ensure it leads industry standards in attracting talent and build workplace loyalty. Through engagements and strategic partnership with higher education institutions nationwide, we reach out to new talent and promote the Group as an employer of choice that offers good career progression as well as a productive work culture and workplace environment.

Ensuring good work-life balance, health awareness and sports programmes are also planned within the calendar year. Some of the highlights for the year were the Group Sports Carnival, Hari Raya Celebration and Religious Activities and various sporting and outdoor activities are organised regularly. Performance with talent development, worker retention and welfare amenities programmes would always be the Group’s focus in developing its human capital.

### Creating Value for Shareholders

Despite the challenging environment that we operated in the past year, the Group remains committed to reward our shareholders with continuous returns in the form of dividends, whilst simultaneously recognising the needs to maintain sufficient reserves to support our Group’s future growth objectives.

Weighing all the factors such as the funding needed for capital expenditure, future growth as well as operational requirements, the Board made the decision to declare an interim dividend of one (1) sen per ordinary share in respect of the 2019 financial year. The interim single tier dividend was paid on 17 December 2019.

The Directors had also declared the payment of second interim single tier dividend of 1.50 sen per share and the payment date is on 14 July 2020. The total dividend declared in respect of the financial year ended 31 December 2019 is 2.50 sen per share.





# Management Discussion and Analysis

## Prospect

In December 2019 the world had seen the COVID-19 pandemic spreading initially in China and later on globally throughout Asia, Europe, Middle East and the Americas, with significant number of cases and deaths reported in various countries. Despite several measures of lockdown and restrictions, the fatal disease spread globally rapidly within three (3) months creating global travel bans, restrictions and lockdowns within the globe. In order to contain this COVID-19 global pandemic, many countries affected have introduced various measures of lockdown and movement restrictions in the past few months, resulting in a severe slowdown in business activities and travel globally.

The Malaysian Government has enforced the first phase of Movement Control Order (“MCO”) effective from 18 March 2020 and this had subsequently been extended to the sixth phase up until 31 August 2020. However, in view that the palm oil industry is crucial towards the country’s economic development and is mainly used for essential items in food and fuel, the Malaysian Government has allowed the industry - namely plantations, mills and refineries to be exempted during MCO with companies being allowed to operate with the limits as per Standard Operating Procedure set for the plantation industry.

Therefore, since the commencement of MCO, FEHB’s estates’ operation and production of Fresh Fruit Bunches (“FFB”) had not been adversely affected. Critical activities such as harvesting, evacuation and transporting of FFBS to the mills were still being carried out throughout MCO.

During the MCO, FEHB had implemented preventive measures to minimize the spread of COVID-19 by ensuring:-

- (a) That the latest extended SOP issued by the authorities are adhered to in all estates;
- (b) Voluntary lockdown within all estates which prohibit any unnecessary visitors and enforcement of social distancing throughout the premises. No personnel and resident are allowed to leave the premise without any written approval;
- (c) Constant information dissemination on COVID-19 detection, reporting and prevention; and
- (d) Optimizing the productivity of workers by increasing the mechanization processes in all estates.

In terms of FFB production, we expect minimal impact for FEHB Group during MCO. However, the global COVID-19 pandemic might pose several risks to FEHB in terms of lower market demand and thus prices of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), health and wellbeing of our staff due to

the risk of exposure, and other risk as a result of the current uncertainties being felt globally. With the Government intending on keeping our borders closed, the immediate risk for FEHB Group would be the possible freezing of all inflows of foreign workers which would cause acute labour shortage in our operations. We are currently optimizing the productivity of the existing workers and also implementing incentives as part of the initiatives to retain the workers.

As the global COVID-19 pandemic shows no sign of easing as yet, this could result in a prolonged slowdown in global demand for CPO. The lockdowns globally have severely impacted demand for CPO as a result of restrictions on dining out, celebrating festivals and travelling. Besides, CPO demand for biodiesel will also be severely impacted by the current low crude oil and diesel prices making biodiesel uneconomical for discretionary blending, as well as lesser consumption of diesel (for biodiesel to be blended even in mandated countries) due to the lockdowns globally. Since the onset of the global COVID-19 pandemic, CPO prices have already started to trend downwards during the first quarter of 2020. Therefore, the containment of COVID-19 and easing of lockdowns globally would be crucial to the support of CPO prices. For our downstream business via our associates, we are expecting a reduction in processing volumes especially for the export and bulk product segments due to lower market demand.

In view of this, the Group’s performance for the upcoming financial year would continue to be a challenging one due to the COVID-19 pandemic, rising operation costs, higher wages and labour shortages. Nonetheless, the Board will need to consider a rationalisation of operations at the appropriate time that will give the Group a stronger footing and strengthen our values. The Group is optimistic that the demand for CPO would eventually recover once the COVID-19 pandemic is contained globally.

Despite stable FFB production expected in year 2020, the Group’s financial result for year 2020 is anticipated to be lower than last year in view of the volatility of CPO and PK prices and lower share of profits from our associates as a result of the COVID-19 impact globally.

The Board is committed to continuously introduce measures to ensure that our plantations and mills are fully optimised to unlock their full potential and values. We will continue to strive for the ideal average plantation age profile and replanting exercises will be carried out to create a balanced age distribution amongst our plantations and hence steady revenue generation moving forward. We will continue to take proactive steps to improve the estates’ and mills’ operational efficiency and to drive down cost.

# AUDIT COMMITTEE REPORT

The Board of Directors of Far East Holdings Berhad (“FEHB”) is pleased to present the Audit Committee Report (the Committee previously known as Audit and Risk Management Committee) for the financial year ended 31 December 2019. The Company has established a separate stand-alone Risk Management Committee effective from January 2020 with majority of its members being independent.

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the external auditors, Head of Internal Audit and members of the management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

## COMPOSITION AND ATTENDANCE OF THE AUDIT COMMITTEE AT MEETINGS

The Audit Committee was appointed by the Board of Directors from amongst the Non-Executive Directors and consists of not less than three (3) members, with a majority of them being Independent Directors.

The biography of each member of the Audit Committee is set out in the Directors’ Profile section. Listed below the current composition of the Audit Committee:-

| Members                               | Membership                                   | Appointment | Tenure on the Audit Committee (Years) |
|---------------------------------------|--|-------------|---------------------------------------|
| YH Datuk Mohd Afrizan Bin Husain      | Chairman, Independent Non-Executive Director | 01.11.2018  | Less than 2                           |
| Encik Nik Mohamed Zaki Bin Nik Yusoff | Member, Independent Non-Executive Director   | 08.07.2015  | 4                                     |

The Chairman of the Audit Committee is not the Chairman of the Board.

The composition of Audit Committee meets the requirements of paragraph 15.09 (1) (c) of Bursa Securities Listing Requirements which stipulate that at least one (1) member of the Audit Committee must be a qualified accountant.

The Committee operates under the Terms and Reference of Audit Committee containing provisions that address requirements imposed by Bursa Malaysia and the Terms of Reference is published under the Governance section on the Company’s website at [www.fehb.com.my](http://www.fehb.com.my) or can be obtained from the Company Secretaries.

During the financial year ended 31 December 2019, the Audit Committee held a total of five (5) meetings. Details are as follows:-

| No.  | 1                | 2             | 3           | 4              | 5                |
|------|------------------|---------------|-------------|----------------|------------------|
| Date | 20 February 2019 | 28 March 2019 | 15 May 2019 | 27 August 2019 | 18 November 2019 |

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 | Date of Resignation |
|---------------------------------------|--------------------------|-----------------------------|---------------------|
| YH Datuk Mohd Afrizan Bin Husain      | 5                        | 5                           | -                   |
| YH Dato’ Tan Bing Hua                 | 5                        | 5                           | 31 March 2020       |
| Encik Nik Mohamed Zaki Bin Nik Yusoff | 5                        | 5                           | -                   |

The representatives of the external auditors, the Head of Internal Audit and members of the management attended the meetings upon the invitation of the Committee.



# Audit Committee Report

## COMPOSITION AND ATTENDANCE OF THE AUDIT COMMITTEE AT MEETINGS (CONT'D)

There was a private session held on 20 February 2019 with the external auditors without the presence of management to discuss on issues and significant matters that the external auditors wished to raise.

The external and internal auditors also met on 24 February 2020 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.

The Company Secretaries act as Secretaries of the Committee. Minutes of each meeting are kept and circulated to each Board member. The Chairman of the Committee reports on principal matters deliberated at each meeting to the Board.

## DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

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

### 1. Financial Reporting

- To review the quarterly results and year-end financial statements of the Company and Group, and to recommend the same to the Board for approval, focusing particularly on the following:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - significant and unusual events;
  - compliance with accounting standards, Bursa Malaysia Securities Berhad and other legal-requirements; and
  - announcements of financial results to Bursa Malaysia Securities Berhad and dividend payments.
- To obtain explanations from management for unusual variances in the Company's annual financial statements from year to year, and review annually the independent auditors' letter of the recommendations to management and management's response.
- To review with the external and internal auditors whether the employees of the Group have given appropriate assistance in discharging their duties.
- To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- To consider and examine such other matters as the Board consider appropriate and beneficial.

### 2. External Audit

- Review the competency and performance of the external auditors.
- Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of external auditors.
- To discuss and review with the external auditors any proposal from them to resign as auditors.
- To recommend to the Board on the appointment and the annual re-appointment of the external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.
- To monitor the engagement of the external auditors in performing such audit services, considering the types of services rendered and its related fees, such that the position as auditor is not deemed to be compromised.



# Audit Committee Report

## DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE (CONT'D)

### 2. External Audit (Cont'd)

- Review the external auditors' audit plan before the audit commences and discusses the nature, scope and approach of the audit.
- To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
- Review and confirm the independence and objectivity of the external auditors, taking into consideration the local professional and regulatory requirements.
- To consider whether the independent auditors provision of non-audit services is compatible with maintaining the independent auditors' independence.
- To review the co-ordination of the audit approaches where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors.
- Identify any matters in respect of which it considers that action or improvement is needed and reviewing recommendations as to the steps to be taken.

### 3. Internal Audit

- To review the adequacy of the scope, functions, competency and resources of the internal audit function.
- To approve the internal audit plan and review the results of the internal audit plan or investigation undertaken and whether or not appropriate action taken by management on the recommendations of the internal audit.
- Be the final authority to review and approve the Annual Audit Plan and all major changes to the plan.
- The Head of Internal Audit shall report directly to the Committee and shall have direct access to the Chairman of the Committee.
- To appraise the performance of the Head of Internal Audit and to review the appraisals of senior staff members of the internal audit function.

### 4. Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the result of management's investigation and follow-up (including disciplinary action) of any major instances of non-compliance.
- Review procedures established to address allegations raised by whistleblowers, to ensure proportionate and independent investigation is conducted and follow-up action is taken and highlighted to the Committee.
- Review the findings of any examination by regulatory agencies and any auditor's observations.
- Review the process for communicating the Code of Conduct to the staff, and for monitoring compliance therewith.
- Review the effectiveness of measures put in place to combat corruption in the Company.



# Audit Committee Report

## PERFORMANCE OF THE AUDIT COMMITTEE

The appointment of Chairman and members of the Audit Committee during the period under review had been made in accordance to the Listing Requirements.

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

The Audit Committee members were given agenda and relevant papers for the meetings at least five (5) days prior commencement of scheduled meetings.

Pursuant to the Listing Requirements, the Board had reviewed the terms 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.

## SUMMARY OF WORK 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, evaluate the system of internal controls, audit findings, management's responses to the management letter given by the external auditor and the audit report.
- Reviewed the suitability of the external auditors and recommended to the Board for appointment of auditors 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 Securities Berhad.
- Reviewed the annual financial statements and quarterly results of the Group for the Board's approval.
- Reviewed the policy on recurrent related party transaction (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 2019 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.
- Reviewed the revision of The Accounting Policies on Fixed Asset Recognition and Authority Limit to Purchase the Fixed Assets.
- Reviewed the Solvency Statement as required by the Companies Act, 2016.
- Reviewed proposed amendments to its Terms of Reference prior to approval of the Board of Directors.
- Reviewed and overseen the Draft Audit Committee Report for disclosure in the Group's Annual Report.

# Audit Committee Report

## SUMMARY OF WORK 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.

Currently Internal Audit Department is headed by Encik Norfadli Bin Mahrom. The biography of Head of Internal Audit is set out in the Management's Profile section.

During the year under review, Internal Audit Department was supported by five (5) executives (including the Head of Internal Audit) and a non-executive clerk. All staffs are graduates with bachelor degrees or diplomas on various fields including accountancy, administration and plantation.

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

Internal Audit had carried out the scheduled audit for all estates and also conducted special reviews on payment of workers' incentive and allowance based on the requests made by the management. All significant observations were highlighted during the audit exit meeting and follow-up on the observations were communicated and highlighted to the auditees, management and Audit Committee.

Internal Audit and the management had reviewed all Recurrent Related Party Transactions (RRPTs) entered in 2019 in order to ensure that the transactions are fair and reasonable terms and not detrimental to the interest of the minority shareholders.

The compliance audits on International Sustainability & Carbon Certification ("ISCC") and Malaysian Sustainable Palm Oil ("MSPO") were reviewed by the Internal Audit Department in 2019 which covered the central office and eleven (11) estates.

The Internal Audit Department had adequate resources to carry out its duties during the year 2019. The total cost incurred in managing the internal audit function in respect of the financial year was RM529,220 (2018: RM437,651).

This report is made in accordance with a resolution of the Board of Directors dated 29 April 2020.



# CORPORATE GOVERNANCE STATEMENT AND ADDITIONAL COMPLIANCE STATEMENT

The Board of Directors (“the Board”) of Far East Holdings Berhad (“FEHB”) continues to subscribe and fully support the Malaysian Code on Corporate Governance 2017 (“MCCG”) and is committed to maintaining a high standard of corporate governance statement practices within the Group and devotes considerable effort to identify and formalize best practices.

The Board believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a Company and its ability to attract investment, protect the rights of shareholders and stakeholders and enhance shareholder’s value.

The Board is pleased to report on the application of the Recommended Practices of the MCCG as required under the MCCG and the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) during the financial year under review.

To further demonstrate the Company’s commitment in upholding good corporate governance with appropriate standards of ethical conduct and behavior at all level of the Company’s businesses, the Board had taken the initiative to restructure and separate on stand-alone basis committee for Audit and Risk Management effective 1 January 2020.

The Board realized that a stand-alone committee one for Audit and the other for Risk Management is vital for the focus and functionality of all committees.

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.

## THE BOARD OF DIRECTORS

### The Board

The Board is responsible for the overall corporate governance of the Group and is also entrusted with the responsibility of exercising reasonable care of the Company as well as the Group’s resources in enhancing the shareholders long-term value while taking into the interest of other stakeholders. The Board understands that upholding corporate governance value is not merely achieving the desired financial performance, but also promoting ethical, professional and sustainable culture.

### Terms of Reference/Board Charter

The Board is mindful to protect the interests of its shareholders and stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference (“Board Charter”) which sets out the roles and responsibilities of the Board. The Board Charter serves as a source of reference and primary induction literature to provide insights to prospective Board Members and Senior Management. The Board Charter is reviewed periodically or on as and when necessary to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board’s objectives. The Board Charter is accessible on our website [www.fehb.com.my](http://www.fehb.com.my).

### Principal Roles

The principal role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and executive management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

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 five (5) times a year, with additional meetings convened as and when necessary.

# Corporate Governance Statement and Additional Compliance Statement

## THE BOARD OF DIRECTORS (CONT'D)

### Board Balance

The current Board consists of six (6) Non-Executive Directors and two (2) Executive Directors i.e. Group Executive Chairman and Senior Executive Director, Plantations and Milling, with two (2) of the eight (8) Directors being Independent Directors with a synergistic mixture of businessmen, planters, professionals with the required technical expertise and as at the date of Annual Report's publication, the Board is identifying the candidate to fill the vacancy of the Independent Director. This mix of skills and experience is vital for the successful direction of the Group.

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

The role of the Group Executive Chairman and the Senior Executive Director, Plantations and Milling 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 Senior Executive Director, Plantations and Milling 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 practice healthy debate on any agenda tabled. Each one of the Board members is allowed to express his opinion or views which is debated openly until a 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. All the while 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.

The Board acknowledges the importance of boardroom diversity and the establishment of a gender diversity policy. Despite no specific targets being set in relation to boardroom diversity, the Board is committed to improving boardroom diversity in terms of gender. Hence, the Board will consider the appointment of women directors as and when circumstances permit. The Board will take steps to nurture suitable and potential candidates.

Nonetheless, women are well represented in the Senior Management of FEHB which now exceeds 30% of the Senior Management Group.

### Supply of Information

All Directors are furnished with an agenda and a set of Board meetings at least five (5) days prior to the meetings. This would give sufficient time to the Directors to obtain further explanation or clarification, where necessary, in order to be properly briefed before the meeting. The Board papers include, amongst others, the following:-

- Quarterly financial report and a report on the Group's cash and borrowing position;
- A current review of the operations of the Group;
- Minutes of meetings of all Board Committees;
- Minutes of previous Board meetings; and
- Major Capital Expenditure to be incurred.

All proceedings of Board meeting are minuted and filed in the statutory records of the Company, which is accessible by the Directors at all times. Notices on the closed period for dealings in the shares of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance of whenever the closed period is applicable.

In recognising the importance of sound and timely information flow to the Board effectively, all announcements made to Bursa Malaysia Securities Berhad will be circulated to all Directors on the day the announcements are released.



# Corporate Governance Statement and Additional Compliance Statement

## THE BOARD OF DIRECTORS (CONT'D)

### Supply of Information (Cont'd)

Senior Management is invited to be present at the Board Meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

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. The Board has direct access to the advice and services of the Company Secretaries.

### Board Meetings

Board meetings are scheduled in advance at the beginning of the calendar year with additional meetings convened when necessary. All Directors have complied with the Bursa Malaysia Listing Requirements on attendance for Board meetings held during the financial year under review. Nine (9) Board meetings were held during the financial year under review with details of meetings attendance of each Director are as follows:-

| No. | Meeting Attendance                       | Appointment Date | Meeting Attendance | Percentage % |
|-----|--|------------------|--------------------|--------------|
| 1   | YH Dato' Sri Kamaruddin Bin Mohammed     | 16/08/2002       | 9/9                | 100          |
| 2   | YH Dato' Suhaimi Bin Mohd Yunus          | 05/07/2019       | 2/4                | 50           |
| 3   | YH Dato' Jamaluddin Bin Abd Majid        | 08/07/2015       | 8/9                | 89           |
| 4   | YH Datuk Mohd Afrizan Bin Husain         | 01/11/2018       | 9/9                | 100          |
| 5   | Mr Tee Kim Tee @ Tee Ching Tee           | 16/08/2002       | 8/9                | 89           |
| 6   | Mr Tee Cheng Hua                         | 16/08/2002       | 9/9                | 100          |
| 7   | Mr Tee Lip Teng                          | 23/07/2012       | 8/9                | 89           |
| 8   | Encik Nik Mohamed Zaki Bin Nik Yusoff    | 08/07/2015       | 9/9                | 100          |
| 9   | YH Dato' Tan Bing Hua                    | 23/07/2012       | 8/9                | 89           |
| 10  | YH Dato' Indera Wan Bakri Bin Wan Ismail | 17/03/2014       | 1/2                | 50           |

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of FEHB evidenced by attendance record of the Directors at Board meetings, as set out in the above table. Majority of the Directors attended all meetings during the financial year under review. A Director who is unable to attend any Board or Board Committee's meeting will notify the Chairman and/or the Company Secretaries immediately prior to the meeting date. None of the Directors hold more than five (5) Directorships each in other listed corporations.

### Appointments to the Board

Pursuant to the best practices promulgated by the Code, the Board has established a Nomination Committee ("NC"), 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 NC is guided by the specific Terms of References that is set by the Board. The primary objectives of the NC amongst others 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 appointments are made based on merit;
- To assist the Board in identifying and reviewing on annual basis, the required mix of skills, experience and other qualities, including core competencies that Directors should bring to the Board for it to function effectively and efficiently;
- To examine and review the size of the Board from time to time; and
- It is an annual exercise that each individual Board and Committee member is evaluated based on pre-set criteria.

The Terms of Reference of Nomination Committee is posted at [www.fehb.com.my](http://www.fehb.com.my).

# Corporate Governance Statement and Additional Compliance Statement

## THE BOARD OF DIRECTORS (CONT'D)

### 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 delegates authority not responsibility to the Committee. The four (4) principal Board Committees are:-

- (a) Audit Committee;
- (b) Nomination Committee;
- (c) Risk Management Committee; and
- (d) Remuneration Committee.

### Re-Election of Directors

In accordance with the Company's Constitution, 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 Clause 77 of the Constitution, one-third (1/3) of the remaining Directors, including the Executive Directors, are required to submit themselves for re-election by rotation at each Annual General Meeting.

To assist shareholders in their decision, sufficient information, such as personal profile, meeting attendance and shareholdings in the Company are furnished in the Annual Report.

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 Cik Sharina Binti Bahrin, Miss Ng Yee Kim, Encik Khairul Azahar Bin Ariffin, Mr Ng Say Pin, YH Dato' Dr Ahmad Bin Aman, Encik Hashim Naina Merican Bin Yahaya Merican and YH Dato' Tan Bing Hua. In fact, it is the Company's practice to evaluate the Independent Directors as set by Paragraph 1.0 of the Listing Requirements.

### Directors' Code of Ethics

The Directors are guided by the Code of Ethics as stipulated in part of the Board Charter as published in the website [www.fehb.com.my](http://www.fehb.com.my).

### 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 Securities Berhad. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skill and knowledge. For the financial year ended 31 December 2019, all Directors had participated and attended seminar/course/conference as recommended and approved by the Board.





## Corporate Governance Statement and Additional Compliance Statement

### THE BOARD OF DIRECTORS (CONT'D)

#### Directors' Training (Cont'd)

A summary of training programme, conferences and seminar attended by Directors during the financial year under review is set out below:-

| No. | Name                                  | Course Attended   | Date Attended   |
|-----|---------------------------------------|---|---|
| 1.  | YH Dato' Sri Kamaruddin Bin Mohammed  | In-house programme - Kursus Dalam Anggota FEHB<br>Finance for Non Finance   | 17 - 18 September 2019<br>11 - 12 March 2020  |
| 2.  | YH Dato' Suhaimi Bin Mohd Yunus       | Monitoring and Inspiration Agriculture Practices<br>Governance and Integrity in the Area of Digital Revolution<br>Mandatory Accreditation Programme   | 15 August 2019<br>19 August 2019<br>30 - 31 October 2019  |
| 3.  | YH Dato' Jamaluddin Bin Abd Majid     | When Disruption Meets Tradition<br>In House Training Programme for KPDRM on Corporate Directors<br>Training Programme Fundamental   | 27 June 2019<br>25 November 2019  |
| 4.  | YH Datuk Mohd Afrizan Bin Husain      | MFRS 15 - Revenue From Contract with Customer<br>Malaysian Tax Conference<br>Audit Workshop on Audit Guide for Practitioners and Illustrative<br>Audit Working Papers<br>Parker Randall International Conference<br>Malaysian Insolvency Conference   | 3 January 2019<br>3 - 4 April 2019<br>14 - 15 October 2019<br>24 - 25 October 2019<br>29 - 30 October 2019  |
| 5.  | Mr Tee Kim Tee @ Tee Ching Tee        | In-house programme - Kursus Dalam Anggota FEHB  | 17 - 18 September 2019  |
| 6.  | Mr Tee Cheng Hua                      | Biofuel & Bioenergy Conference 2019<br>The Role of the Board in Risk Management of Legal Issues during<br>Merger & Acquisitions   | 17 April 2019<br>5 September 2019   |
| 7.  | Mr Tee Lip Teng                       | MPOC Reach & Remind Friends of Industry 2019<br>Palm Oil Economic Review & Outlook Seminar 2019<br>CPOPC Business Forum<br>Palm & Lauric Oil Price Outlook Conference and Exhibition 2019<br>MATRADE Seminar: Exploring New Export Opportunities in India<br>for the Malaysian Chemical Industry<br>Financial Language in the Boardroom<br>MIDA Selangor Investment Seminar<br>Globoil India 2019 | 18 January 2019<br>17 January 2019<br>12 February 2019<br>4 - 6 March 2019<br>9 May 2019<br>15 - 16 July 2019<br>22 August 2019<br>25 - 27 September 2019 |
| 8.  | Encik Nik Mohamed Zaki Bin Nik Yusoff | Cyber Security in the Boardroom<br>Invitation to the Securities Commission Malaysia's Audit Oversight<br>Board Conversation with Audit Committees   | 27 June 2019<br>8 November 2019   |
| 9.  | YH Dato' Tan Bing Hua                 | Cyber Security in the Boardroom<br>Financial Language in the Boardroom  | 27 June 2019<br>2 October 2019  |

# Corporate Governance Statement and Additional Compliance Statement

## THE BOARD OF DIRECTORS (CONT'D)

### Development of Human Capital

The Board is also of the view that human capital development and management is one of the major concerns of ensuring continuous growth and sustainability 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 has delegated the authority for identifying key talent to the Senior Management of the Company.

### Whistleblower Policy

The Company has established a Whistleblower Policy in response to Whistleblower Protection Act, 2010 which could be reviewed in detail at our website [www.fehb.com.my](http://www.fehb.com.my). The Group's Whistleblowing Policy established in 2016 and was further revised in 2019 provides an avenue for employees and stakeholders dealing with the Group with proper procedure to disclose or raise genuine concerns on possible improprieties, improper conduct or other malpractices within the Group. It gives an appropriate communication and feedback channel which facilitates whistleblowing in a transparent and confidential manner.

The purpose of this Policy is to:-

- (a) promote the importance of detecting Improper Conduct;
- (b) encourage the reporting of Improper Conduct and any other matters that may cause financial or non-financial loss to FEHB or tarnish the reputation of FEHB; and
- (c) help to protect people who report Improper Conduct in good faith from discrimination, harassment and retaliation.

### Anti-Bribery and Anti-Corruption Policy

The Company has established an Anti-Bribery and Anti-Corruption Policy ("Policy") in complying with the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti Corruption Commission (Amendment) Act 2018 ("the Acts"), which could be reviewed in detail at our website [www.fehb.com.my](http://www.fehb.com.my). The Group has taken reasonable and appropriate measures to ensure that its businesses do not participate in corrupt activities for its advantage or benefit. The Policy which was approved by the Board on 24 February 2020 sets out the parameters to prevent the occurrence of bribery and corrupt practices in relation to the business of the Group. The Policy is supplemental to and shall be read in conjunction with the Group's Whistleblower Policy. With the introduction of Section 17A of the Act, the corrupt act of an associated person such as an employee, subcontractor or agent will now be attributed to the commercial organization, unlike before. Where a commercial organization is charged with this new corporate offence, the Board Members must demonstrate absolute defence by proving that the organization had adequate procedures in place in addition to the establishment of the Policy to prevent such associated persons from carrying out any corrupt activities.

The purpose of this Policy is:-

- (a) to provide information and guidance to the Directors and employees on standard of behavior to which they must adhere to and how to recognize as well as deal with bribery and corruption; and
- (b) to ensure observance and compliance with all applicable laws, rules and regulations to which they are bound to observe in the performance of the Directors and employees' duties.



# Corporate Governance Statement and Additional Compliance Statement

## AUDIT COMMITTEE

**Chairman** **YH Datuk Mohd Afrizan Bin Husain**  
*Independent, Non-Executive Director*

**Members** **Encik Nik Mohamed Zaki Bin Nik Yusoff**  
*Independent, Non-Executive Director*

**YH Dato' Tan Bing Hua**  
*Independent, Non-Executive Director (resigned on 31 March 2020)*

**Mr Tee Lip Teng**  
*Non-Independent, Non-Executive Director (resigned on 29 April 2020)*

*The new member of Audit Committee will be appointed in due time.*

In recognizing the importance of a stand-alone committee, the Board has re-designated the Audit and Risk Management Committee. The Board has separated the two functions and re-designated the original Audit and Risk Management to Audit Committee and Risk Management Committee. The Audit Committee reviews issues of governance and compliance 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 leaving the risk oversight and management function to the Risk Management Committee. 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 Audit Committee meets at least once a year with the external auditors without the presence of Executive Officers of the Company.

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 and published at [www.fehb.com.my](http://www.fehb.com.my). A charter that is approved by the Board governs the activities of the Audit Committee.

The Audit Committee meets at least quarterly and additional meetings are held as and when required. During the financial year ended 31 December 2019, 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 37 to 41.

## NOMINATION COMMITTEE

**Chairman** **YH Dato' Tan Bing Hua**  
*Independent, Non-Executive Director (resigned on 31 March 2020)*

**Members** **Mr Tee Kim Tee @ Tee Ching Tee**  
*Non-Independent, Non-Executive Director*

**Encik Nik Mohamed Zaki Bin Nik Yusoff**  
*Independent, Non-Executive Director*

*The new chairman of Nomination Committee ("NC") will be appointed in due time.*

# Corporate Governance Statement and Additional Compliance Statement

## NOMINATION COMMITTEE (CONT'D)

The Far East Holdings Berhad's NC which comprises three (3) Non-Executive members, a majority of whom are independent Directors. The NC is governed by written Terms of Reference which ensures it deals clearly within its authority and duties, which is available on the Company's website at [www.fehb.com.my](http://www.fehb.com.my).

### Board Appointment Process

The NC is responsible for recommending new nominees to fill vacancies on the Board as well as Board Committees. All nominees are initially considered by the NC taking into consideration the required mix of skills, competencies and experience as well as other required qualities such as commitment of time, integrity and professionalism before they are recommended to the Board for consideration and approval. The Board would consider recommendation from independent sources should the candidate fit the necessary skill sets and experience.

### Board Evaluation Assessment

The NC assists the Board in assessing the effectiveness of the Board as a whole, the Board committees as well as the performance of each Director.

The results of the assessment and areas which required improvement were compiled and reviewed by the NC which submitted together with its recommendation to the Board for consideration and approval. Overall, the Board is satisfied with the performance, roles and responsibilities of the Directors. The Board identified key areas that required enhancement and other areas where the Board could further solidify its strength. The Board would consider engaging independent experts periodically to facilitate the objective and candid board evaluations, as stipulated within the Board Charter if needed.

### Re-Election of Directors

The NC is also responsible for recommending to the Board such Directors for re-election at the Annual General Meeting of the Group.

### Independence of Independent Directors

In accordance with the Company's Constitution, all new Directors appointed by the Board to fill vacancies during the year are subject to re-election by the shareholders at the forthcoming Annual General Meeting following their appointments. Additionally, at least one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three, then the numbers nearest to (1/3), shall be subject to retirement by rotation at least once every three (3) years. They will, however, still be eligible for re-election at every Annual General Meeting. The retiring Directors would be those who have been longest in office since their last election. This provides shareholders with the opportunity to evaluate the performance of the Directors and with the view to promote Board's effectiveness.

Directors subject to retirement by rotation pursuant to the Company's Constitution are initially considered by the NC, taking into consideration their required mix of skills, competencies, experience and other qualities required before they are recommended for re-election by shareholders. The Board has a set of criteria in assessing the independence and performance of Directors.

The NC annually reviews and assesses the level of independence of the Independent Directors of the Board in line with the Code. The NC will also consider the individual Director's ability to exercise independent judgement and to demonstrate the values and principles associated with independence such as impartiality, objectivity and consideration of all Shareholders' interests.

For the year 2019, none of the three (3) independent Directors of the Board have served the Board for more than nine (9) years. The NC has assessed and concluded that all the Independent Directors continue to demonstrate independence in their conduct and behavior, and that each of them is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company.



# Corporate Governance Statement and Additional Compliance Statement

## NOMINATION COMMITTEE (CONT'D)

### Independence of Independent Directors

Activities undertaken by the NC during FY 2019 were as follows:-

- (a) Assessed the competencies, commitment and contributions of the Directors standing for re-election at the Annual General Meeting prior to tabling the same for the Board's recommendation to the shareholders;
- (b) Assessed the performance and effectiveness of the Board, Board Committees and individual Directors for the financial year under review in ensuring the right mix of skills, competencies, experience, independence and other required qualities;
- (c) Reviewed and recommended the formation of stand-alone committee one for the audit function and the other for the risk oversight and management function under Risk Management Committee;
- (d) Reviewed the training and development programmes for Directors to address any deficiencies and to enhance the necessary skill required;
- (e) Reviewed and made recommendations on the composition of Board Committees;
- (f) Reviewed and recommended the Board Diversity (including Gender Diversity) Policy;
- (g) Reviewed the assessment of pivotal positions in tandem with the Group's strategy in managing critical talent on succession planning; and
- (h) Assessed and recommended the appointment of a new Director namely YH Dato' Suhaimi Bin Mohd Yunus.

## RISK MANAGEMENT COMMITTEE

**Chairman** **YH Dato' Suhaimi Bin Mohd Yunus**  
*Non-Independent, Non-Executive Director*

**Members** **YH Datuk Mohd Afrizan Bin Husain**  
*Independent, Non-Executive Director*

**YH Dato' Tan Bing Hua**  
*Independent, Non-Executive Director (resigned on 31 March 2020)*

*The new member of Risk Management Committee ("RMC") will be appointed in due time.*

The Far East Holdings Berhad's RMC which comprises two (2) Non-Executive members, a majority of whom are independent Directors, assists the Board in overseeing the risk management process within the Group, ensure risks which may have a significant impact upon the Group are identified in a manner which would result in its expeditious treatment and to manage risks by adopting best practice methodologies for the identification, analysis, evaluation, reporting, treatment and monitoring of risks. The RMC is governed by written Terms of Reference which ensures it deals clearly within its authority and duties, which is available on the Company's website at [www.fehb.com.my](http://www.fehb.com.my).

## REMUNERATION COMMITTEE

**Chairman** **YH Dato' Sri Kamaruddin Bin Mohammed**  
*Non-Independent, Executive Director*

**Members** **Mr Tee Kim Tee @ Tee Ching Tee**  
*Non-Independent, Non-Executive Director*

**Encik Nik Mohamed Zaki Bin Nik Yusoff**  
*Independent, Non-Executive Director*

The Remuneration Committee currently consists of two (2) Non-Independent Directors and one (1) Independent Director. 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.

## Corporate Governance Statement and Additional Compliance Statement

### REMUNERATION COMMITTEE (CONT'D)

The Remuneration Committee met once in the year under review to evaluate the remuneration for the Board and Senior Management. The Remuneration package is structured on the basis of linking rewards to financial and individual performance.

The Committee is guided by the Terms of Reference set by the Company. However, the Chairman of Remuneration Committee whom is also the Chairman of the Company had performed his role objectively and has abstained from any discussion with regards to his own remuneration.

### DIRECTORS' REMUNERATION

The detail of the Remuneration for the Directors for the financial year ended 31 December 2019 is as follows:-

| Group   | Fees<br>RM | Meeting<br>Allowance<br>RM | Salaries<br>and Bonus<br>RM | Other<br>Emoluments<br>RM |
|---|------------|----------------------------|-----------------------------|---------------------------|
| <b>Group Executive Chairman</b><br>YH Dato' Sri Kamaruddin Bin Mohammed | 385,000    | 144,900                    | 1,053,000                   | 28,000                    |
| <b>Executive Director</b><br>Mr Tee Cheng Hua                           | 270,000    | 101,000                    | 775,325                     | 28,000                    |
| <b>Non Executive Directors</b>  |            |                            |                             |                           |
| YH Dato' Suhaimi Bin Mohd Yunus   | 32,060     | 3,000                      | -                           | -                         |
| YH Dato' Jamaluddin Bin Abd Majid                                       | 65,000     | 13,500                     | -                           | -                         |
| YH Datuk Mohd Afrizan Bin Husain  | 65,000     | 47,500                     | -                           | -                         |
| Mr Tee Kim Tee @ Tee Ching Tee  | 240,000    | 115,100                    | 338,900                     | -                         |
| Mr Tee Lip Teng   | 65,000     | 26,700                     | -                           | -                         |
| Encik Nik Mohamed Zaki Bin Nik Yusoff                                   | 65,000     | 55,400                     | -                           | -                         |
| YH Dato' Tan Bing Hua   | 65,000     | 56,000                     | -                           | -                         |
| YH Dato' Indera Wan Bakri Bin Wan Ismail                                | 16,030     | 1,500                      | -                           | -                         |

| Company   | Fees<br>RM | Meeting<br>Allowance<br>RM | Salaries<br>and Bonus<br>RM | Other<br>Emoluments<br>RM |
|---|------------|----------------------------|-----------------------------|---------------------------|
| <b>Group Executive Chairman</b><br>YH Dato' Sri Kamaruddin Bin Mohammed | 145,000    | 44,900                     | 1,053,000                   | 28,000                    |
| <b>Executive Director</b><br>Mr Tee Cheng Hua                           | 65,000     | 19,500                     | 436,425                     | 28,000                    |
| <b>Non Executive Directors</b>  |            |                            |                             |                           |
| YH Dato' Suhaimi Bin Mohd Yunus   | 32,060     | 3,000                      | -                           | -                         |
| YH Dato' Jamaluddin Bin Abd Majid                                       | 65,000     | 13,500                     | -                           | -                         |
| YH Datuk Mohd Afrizan Bin Husain  | 65,000     | 47,500                     | -                           | -                         |
| Mr Tee Kim Tee @ Tee Ching Tee  | 65,000     | 41,100                     | -                           | -                         |
| Mr Tee Lip Teng   | 65,000     | 26,700                     | -                           | -                         |
| Encik Nik Mohamed Zaki Bin Nik Yusoff                                   | 65,000     | 55,400                     | -                           | -                         |
| YH Dato' Tan Bing Hua   | 65,000     | 56,000                     | -                           | -                         |
| YH Dato' Indera Wan Bakri Bin Wan Ismail                                | 16,030     | 1,500                      | -                           | -                         |

So as to maintain confidentiality and sensitivity of remuneration and other emoluments of Senior Management on a named basis, FEHB departs from Practice 7.2 and 7.3 of the MCCG.



# Corporate Governance Statement and Additional Compliance Statement

## 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.

The Company’s e-mail address [fareast@fareh.po.my](mailto:fareast@fareh.po.my) is one of the means to communicate with the Company. The Board has appointed Encik Nik Mohamed Zaki Bin Nik Yusoff, as Senior Independent, Non-Executive Director as a Director responsible for Investor Relationship. Any queries with regard to the Group may be communicated to him. His e-mail address is [nikmohamedzaki@fareh.po.my](mailto:nikmohamedzaki@fareh.po.my). Shareholders may also contact the Company Secretaries or visit our website [www.fehb.com.my](http://www.fehb.com.my) for further information.

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

### Financial Reporting

The Directors recognised 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 68.

### 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 2019, 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 going concern 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 Malaysian Financial Reporting Standards in Malaysia.

### Internal Controls

The Group has established internal controls that cover 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 Internal Control furnished on pages 58 to 61 of the Annual Report provides an overview of the state of internal controls within the Group.



# Corporate Governance Statement and Additional Compliance Statement

## RELATIONS WITH SHAREHOLDERS AND INVESTORS (CONT'D)

### Internal Audit

The Group has established an Internal Audit Department to assist the Audit Committee in the discharge of their 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.

At the commencement of the audit, the External Auditors present the Audit Planning Memorandum to the Audit Committee to detailed out the statutory audit strategy in order to ensure smooth completion of the audit to meet the Company's and the Group's financial reporting requirement.

The External Auditors have an obligation to report to those charged with governance key audit matters, issues affecting the financial statements and any weakness in the Group's system of internal controls and compliance discovered in the course of the audit. This includes the communication of any fraud detected.

## ADDITIONAL COMPLIANCE STATEMENT

### Group Audit Fees

The amount of audit fees paid/payable to the External Auditors by the Group for the financial year ended 31 December 2019 was RM289,000 (2018: RM217,000).

### 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 2019 was RM10,000 (2018: RM43,000).

### Internal Audit

The Company's In-House Internal Audit Department had incurred expenses amounting to RM529,220 for the financial year ended 31 December 2019 (2018: RM437,651).

### Material Contracts

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 2019.



## 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 15 July 2020. 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<br>Malaysia   | Operating of palm oil mill   |
| WWSB                 | KKSB directly holds 51%* equity interest in WWSB   | 29.11.2005<br>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<br>Malaysia   | Operating of palm kernel mill  |
| PPOM                 | FEHB directly holds 40%* equity interest in PPOM   | 13.01.1978<br>Malaysia   | Operating of palm oil mill and cultivation of oil palm                                   |
| RPOM                 | PPOM directly holds 30%* equity interest in RPOM   | 28.01.1994<br>Malaysia   | Operating of palm oil mill   |
| EPOM                 | PTSB directly holds 32%* equity interest in EPOM   | 23.10.1997<br>Malaysia   | Operating of palm oil mill   |
| PGC                  | KKSB directly holds 30%* equity interest in PGC  | 10.04.2004<br>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<br>Malaysia   | Trading and Marketing agent  |
| KOSMA                | KOSMA is a shareholder of WWSB that holds 49%* equity interest in WWSB   | 04.12.1967<br>(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<br>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<br>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<br>Malaysia   | Manufacturing and exporting palm oil, fatty acids and chemicals compounds or derivatives |

\* As at 18 May 2020

## Recurrent Related Party Transactions

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

|                             |  |
|-----------------------------|--|
| <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 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. Berhad</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 and WWSB 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 and WWSB 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 (CONT'D)

#### 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 |
| FPSB                 | Purchases of CPO by KKSB and WWSB from FPSB                 | 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/contract price |
| WWSB                 | Sales of kernel by WWSB to KKSB                 | Based on the MPOB/contract price |
| PTSB                 | Sales of kernel by KKSB and WWSB to PTSB        | Based on the MPOB/contract price |
| EPOM                 | Sales of kernel by WWSB to EPOM                 | Based on the MPOB/contract price |
| RPOM                 | Sales of kernel by KKSB and WWSB to RPOM        | Based on the MPOB/contract price |
| Kilang Sawira Makmur | Sales of kernel by WWSB to Kilang Sawira Makmur | Based on the MPOB/contract price |

#### Purchases of Kernel

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

## Recurrent Related Party Transactions

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

#### Aggregate Value During the Financial Year

The aggregate value of the Recurrent Related Party Transactions made during the financial year ended 31 December 2019 is shown below:-

| Related Party        | RM'000         |
|----------------------|----------------|
| FEHB                 | 60,438         |
| KKSB                 | 68,110         |
| WWSB                 | 2,401          |
| PPOM                 | 16,818         |
| RPOM                 | 29,149         |
| EPOM                 | 43,268         |
| Kilang Sawira Makmur | 54,522         |
| LKPP Corp.           | 1,055          |
| KOSMA                | 102,302        |
| PGC                  | 2,948          |
| PPOPM                | 4,151          |
| PTSB                 | 30,695         |
| FPSB                 | 134,586        |
| <b>Total</b>         | <b>550,443</b> |





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“Board”) is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal controls within the Company and its subsidiaries (“Group”) for the financial year ended 31 December 2019.

This statement has been prepared in compliance of Bursa Malaysia Guidelines for Listed Issuers. It outlines the key elements needed in maintaining a sound system of risk management and internal control, in line with the Best Practices relating to Risk Management and Internal Control as stipulated in the Malaysian Code on Corporate Governance (“MCCG”).

Risk Management and Internal Controls are integrated into management processes and embedded in all day business activities of the Group.

## RESPONSIBILITIES AND ACCOUNTABILITIES

### Board of Directors

The Group is led by the Board. The Board affirms its overall responsibility for the Group’s system of internal control, including the assurance of its adequacy and integrity, and its alignment with business objectives. The Board 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 risks but also non-financial risks.

The Board also recognises that a sound system of internal control can only reduce but not eliminate the possibility of poor judgement 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.

### Audit Committee

Board Committee such as the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee are established by the Board, and they are governed by clearly defined terms of reference and authority for arrears within their scope.

The Audit Committee is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Group’s management of financial risk processes and accounting and financial reporting practices. The Audit Committee also responsible for reviewing the Group’s business process, the quality of the Group’s accounting function, financial reporting and the system of internal controls and enhancing the independence of both the external and internal auditors.

The Audit Committee comprises Non-Executive members of the Board, with majority of them being Independent Directors.

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.

### Risk Management Committee

The Company has established a separate stand-alone Risk Management Committee effective January 2020 (the Committee previously known as Audit and Risk Management Committee). The primary objective of the Risk Management Committee is to assist the Board in the discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework includes the necessary policies and mechanism to manage the overall risk exposures of the Group.

The Risk Management Committee comprises Non-Executive members of the Board.

# Statement on Risk Management and Internal Control

## RESPONSIBILITIES AND ACCOUNTABILITIES (CONT'D)

### Risk Management Framework and Internal Controls

The Board with the assistance of the Risk Management Committee and 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 six (6) business risks that were rated as High or Significant are as follows:-

- (1) Over-dependence on foreign workers;
- (2) Fluctuation of crude palm oil prices;
- (3) Sustainability issues - Negative campaign about oil palm development;
- (4) Palm disease - Ganoderma;
- (5) Increase in price of inputs; and
- (6) COVID-19 Pandemic Threat.

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 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 Senior Executive Director, Plantations and Milling lead the presentation 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.

- **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 Senior Executive Director, Plantations and Milling and Chief Operating Officer who are actively involved in day-to-day operations of the Group.

There is a clearly defined organisation structure which outlines the responsibilities 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 facilitate 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.



# Statement on Risk Management and Internal Control

## RESPONSIBILITIES AND ACCOUNTABILITIES (CONT'D)

### Other Key Elements of Internal Control System (Cont'd)

- **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 grows. The policies also facilitate compliance to regulations, listing and governance requirements. Management is responsible for the periodic review of operational policies and procedures.

- **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.

- **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 and time of completion of the project. The Tender Committees, therefore, ensure transparency in the award of contracts. The Group also has an Opening Tender Committee. Both Committees comprised of different officers.

- **Plantation Advisory Service**

The Plantation Advisory Service that is outsourced is entrusted with achieving and maintaining performance benchmarks for the plantation sector. Any deviations from the agreed standards and poor performances in the estates are reported to Senior Executive Director, Plantations and Milling 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 oversees 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 in order to ensure that a healthy environment within the Group's business units and close collaboration with Polis Diraja Malaysia are forged to ensure that the security of FEHB's property and personnel.

- **International Sustainability and Carbon Certification ("ISCC") and Malaysian Sustainable Palm Oil ("MSPO") Certification**

The Group advocates sustainable oil palm cultivation. To date, we have obtained ISCC certification for six (6) estates and one (1) mill. We also obtained MSPO certification for eleven (11) estates.

# Statement on Risk Management and Internal Control

## RESPONSIBILITIES AND ACCOUNTABILITIES (CONT'D)

### Other Key Elements of Internal Control System (Cont'd)

- **Code of Business Conduct**

In affirming Group's full commitment to conducting business with integrity and combat bribery and corruption, the Group has embraced an "Anti-Bribery and Anti-Corruption Policy". The policy was approved by the Board on 24 February 2020 and is applicable to all Directors and employees of the Group. The policy is published on the Company's website at [www.fehb.com.my](http://www.fehb.com.my).

- **Whistleblowing Channel**

The Group's Whistleblowing Policy established in 2016 and was further revised in 2019 provides an avenue for employees and stakeholders dealing with the Group with proper procedure to disclose or raise genuine concerns on possible improprieties, improper conducts or other malpractices within the Group. It gives an appropriate communication and feedback channel which facilitates whistleblowing in a transparent and confidential manner. The Whistle Blower Policy is published under Governance section on the Company's website at [www.fehb.com.my](http://www.fehb.com.my).

## REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (Revised: February 2018), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respect:-

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problem.

## CONCLUSIONS

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system to safeguard the interests of the Group's stakeholders, their investments and the Group's assets. The Board has received assurance from the Executive Directors and Chief Operating Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. The management has taken the necessary measures to improve the risks management and internal control system by continuously reviewing, monitoring and considering all risks faced by the Group to ensure that the risks are within acceptable levels within the Group's business objectives.

For the financial year under review, there were no material internal control failures or adverse compliance events that have directly resulted in any material loss to the Group. This Statement on Risk Management and Internal Control does not cover associates and jointly controlled entities where the internal control systems of these companies are managed by the respective management teams.

This statement has been reviewed and approved by the Board of Directors on 29 April 2020.

# REPORTS AND FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

For the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is principally involved in cultivation of oil palms, production and sales of fresh fruit bunches, crude palm oil and palm kernel and investment holdings. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

|                                 | Group<br>RM | Company<br>RM |
|---------------------------------|-------------|---------------|
| Profit for the year, net of tax | 84,788,055  | 60,027,411    |
| Attributable to:                |             |               |
| Owners of the Company           | 80,017,099  | 60,027,411    |
| Non-controlling interests       | 4,770,956   | -             |
|                                 | 84,788,055  | 60,027,411    |

## DIVIDENDS

A final dividend of 2 sen per ordinary share for the financial year ended 31 December 2018 was paid on 16 July 2019 amounting to RM11,876,760.

On 19 November 2019, the Directors declared an interim single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM5,938,380 which was paid on 17 December 2019.

The Directors are pleased to declare the payment of second interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM8,907,570 which is payable on 14 July 2020.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUANCE OF SHARES OR DEBENTURES

The Company has not issued any shares or debentures during the financial year.



# Directors' Report

## For the year ended 31 December 2019

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

### DIRECTORS OF THE COMPANY

The Directors of the Company in office since the beginning of the financial year to the date of this report are:

|  |                             |
|--|-----------------------------|
| YH Dato' Sri Kamaruddin Bin Mohammed *   |                             |
| YH Dato' Suhaimi Bin Mohd Yunus          | (Appointed on 5 July 2019)  |
| YH Dato' Jamaluddin Bin Abd Majid        |                             |
| YH Datuk Mohd Afrizan Bin Husain         |                             |
| Mr Tee Kim Tee @ Tee Ching Tee *         |                             |
| Mr Tee Cheng Hua *                       |                             |
| Mr Tee Lip Teng                          |                             |
| Encik Nik Mohamed Zaki Bin Nik Yusoff    |                             |
| YH Dato' Tan Bing Hua                    | (Resigned on 31 March 2020) |
| YH Dato' Indera Wan Bakri Bin Wan Ismail | (Resigned on 2 April 2019)  |

\* *These Directors are also directors of subsidiaries included in the financial statements of the Group for the financial year.*

In accordance with Clause 77 of the Company's Constitution, Mr Tee Kim Tee @ Tee Ching Tee, Mr Tee Cheng Hua and YH Dato' Jamaluddin Bin Abd Majid retire by rotation at the forthcoming Annual General Meeting. Mr Tee Kim Tee @ Tee Ching Tee and Mr Tee Cheng Hua being eligible offer themselves for re-election, however YH Dato' Jamaluddin Bin Abd Majid does not offer himself for re-election at the forthcoming Annual General Meeting.

In accordance with Clause 76 of the Company's Constitution, YH Dato' Suhaimi Bin Mohd Yunus retires at the forthcoming Annual General Meeting and being eligible offer himself for re-election.

### DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act, 2016, the Directors who served in the subsidiaries (excluding those who are already Directors who also Directors of the Company) during the financial year and at the date of this report are:

YAB Dato' Sri Wan Rosdy Bin Wan Ismail  
 YH Dato' Sri Khairuddin Bin Yaakob  
 YH Dato' Asmin Binti Yahya  
 YB Dato' Sri Abu Bakar Bin Harun  
 YB Ir Razali Bin Kassim  
 Mr Tan Keh Feng  
 Mr Tee Lip Jen  
 Mr Man Foh @ Chan Man Foh  
 Encik Hashim Naina Merican Bin Yahaya Merican  
 Madam Tee Chain Yee

## Directors' Report

For the year ended 31 December 2019

### DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act, 2016, the interests of Directors in office at the end of financial year in shares in or in debentures of the Company and its related corporations during the financial year were as follows:

|   | Number of ordinary shares |                  |              | At<br>31.12.2019<br>Unit |
|---|---------------------------|------------------|--------------|--------------------------|
|   | At<br>1.1.2019<br>Unit    | Addition<br>Unit | Sold<br>Unit |                          |
| <b>Direct interest</b>                            |                           |                  |              |                          |
| YH Dato' Sri Kamaruddin Bin Mohammed              | 11,340,000                | -                | -            | 11,340,000               |
| Mr Tee Kim Tee @ Tee Ching Tee                    | 19,578,720                | -                | -            | 19,578,720               |
| Mr Tee Cheng Hua                                  | 8,762,200                 | -                | -            | 8,762,200                |
| Mr Tee Lip Teng                                   | 1,260,000                 | -                | -            | 1,260,000                |
| <b>Indirect interest</b>                          |                           |                  |              |                          |
| YH Dato' Sri Kamaruddin Bin Mohammed <sup>^</sup> | 2,520,000                 | -                | -            | 2,520,000                |
| YH Dato' Tan Bing Hua <sup>^</sup>                | 184,800                   | -                | -            | 184,800                  |

<sup>^</sup> *Indirect interest by virtue of shares held by his spouse/daughter pursuant to Section 59(11)(c) of the Companies Act, 2016 in Malaysia.*

Other than as 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 above mentioned Directors, by virtue of their interests 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.

### DIRECTORS' REMUNERATION AND BENEFITS

The amounts of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

|                               | Company<br>RM | Subsidiaries<br>RM |
|-------------------------------|---------------|--------------------|
| Directors' fees               | 648,090       | 1,937,400          |
| Salaries and other emoluments | 1,854,525     | 2,062,400          |
|                               | 2,502,615     | 3,999,800          |

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than as disclosed in Note 28 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object 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.



# Directors' Report

## For the year ended 31 December 2019

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that provision need not be made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts inadequate to any substantial extent or necessitate the making of provision for doubtful debts;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
  - (iii) 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; or
  - (iv) not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements and the notes thereto. The fair value gain on Investment Property of RM37,587,461 had been recognised in the financial statements of the Group and the Company for the year under review; and
  - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.
- (e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM289,000. There was no indemnity given or insurance effected for the external auditors of the Group and of the Company.
- (f) There was no amount paid to or receivable by any third party in respect of the services provided to the Group and the Company by any Director or past Director of the Group and the Company.
- (g) The indemnity given to or other insurance effected for the Directors and the officers of the Group and of the Company has a total premium of RM23,000 and coverage amount of RM20,000,000 for a period effective 1 February 2019 until 31 January 2020.

## Directors' Report

For the year ended 31 December 2019

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The details of significant events during the financial year are disclosed in Note 34 to the financial statements.

### SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 37 to the financial statements.

### AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 29 April 2020.



**Sri Kamaruddin bin Mohammed**  
Group Executive Chairman



**Tee Cheng Hua**  
Senior Executive Director





## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 72 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 29 April 2020.

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

**Tee Cheng Hua**  
Senior Executive Director

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Dato' Asmin Binti Yahya (MIA No: 10161), being the officer primarily responsible for the financial management of the Group and of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 72 to 143 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.

Subscribed and solemnly declared by the

abovenamed  
at Kuantan  
on 29 April 2020

**Dato' Asmin Binti Yahya**

Before me,

Commissioner for Oaths



# INDEPENDENT AUDITORS' REPORT

To the Members of Far East Holdings Berhad  
 Registration No.: 197301001753 (14809-W)  
 (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Far East Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 and the statements of comprehensive income, 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 72 to 143.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 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 IESBA Code.

### Key Audit Matters

Key audit matters are those matter that, in our professional judgement, were of the 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 this matter.

| Key audit matter   | Our audit performed and responses thereon   |
|--|---|
| <p><u>Equity accounting for associates</u></p> <p>As disclosed in Note 13 to the financial statements, the Group has interest in a significant associate, Prosper Palm Oil Mill Sdn. Berhad ("PPOM"), which has significant associates of its own and with the existence of substantial cross shareholdings in the Group.</p> <p>Given the highly complex group structure which involves cross shareholdings, we identified the accounting for equity accounted associates as a key audit matter in view of the risk that the associates may not have been properly accounted for and disclosed appropriately due to the following reasons:</p> <p>(i) The magnitude of the balances; and<br/>                     (ii) The complexity of the group structure where significant time and effort was spent to understand the group structures of the associates (including its various sub-groups) during our review of the opening balances as the first year auditors of the Group. The understanding process is further complicated by the varied locations and different management teams involved in the associates.</p> | <p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained the larger corporate structure of which the Group is a component and performed reviews on the understanding and navigation of the various entities involved and the manner in which the financial results of these various entities are consolidated and/or equity accounted and/or both.</li> <li>• Close interactions with the predecessor auditors and various component auditors including the reviews of consolidation and audit files.</li> <li>• Performed reviews with regards to the cross shareholdings and the adjustments involving the elimination of the Group's own results as the Group equity accounts for its share of profits of PPOM, which has an indirect equity interest in the Group.</li> <li>• Performed recomputation of the post-acquisition change in the Group's share of net assets of PPOM in prior years to ensure that the prior year adjustments been properly effected.</li> </ul> |



# Independent Auditors' Report

To the Members of Far East Holdings Berhad  
Registration No.: 197301001753 (14809-W)  
(Incorporated in Malaysia)

## 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 Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 Annual Report 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 this other information, we are required to report the 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 also 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.

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:

- (a) 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.
- (b) 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 Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# Independent Auditors' Report

To the Members of Far East Holdings Berhad  
Registration No.: 197301001753 (14809-W)  
(Incorporated in Malaysia)

## Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- (d) 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 and 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 and the Company to cease to continue as a going concern.
- (e) 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.
- (f) 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.

From 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

## Other Matters

- (i) This report is made solely to the members of the Company as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.
- (ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 28 March 2019.

**MOORE STEPHENS ASSOCIATES PLT**  
201304000972 (LLP0000963-LCA)  
Chartered Accountants (AF002096)

Petaling Jaya, Selangor  
Date: 29 April 2020

**CHUAH SOO HUAT**  
03002/07/2020 J  
Chartered Accountant



# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

|   | Note | Group         |                        | Company      |                        |
|---|------|---------------|------------------------|--------------|------------------------|
|   |      | 2019<br>RM    | Restated<br>2018<br>RM | 2019<br>RM   | Restated<br>2018<br>RM |
| <b>Continuing operations</b>  |      |               |                        |              |                        |
| Revenue   | 4    | 381,128,844   | 379,824,792            | 79,825,633   | 96,014,741             |
| Other operating income  |      | 2,536,220     | 11,073,754             | 2,585,287    | 8,463,894              |
| Fair value (loss)/gain on biological assets                           |      | (47,989)      | 1,527,397              | (392,245)    | 645,354                |
| Employee benefits expense   | 6    | (26,064,797)  | (21,843,305)           | (7,859,527)  | (6,120,795)            |
| Changes in inventories  |      | (4,576,542)   | (694,079)              | -            | -                      |
| Finished goods purchased  |      | (55,396,090)  | (29,198,663)           | -            | -                      |
| Raw material purchased  |      | (158,288,483) | (161,877,757)          | -            | -                      |
| Production cess   |      | (1,317,812)   | (1,251,635)            | -            | -                      |
| Carriage outwards   |      | (6,694,926)   | (6,106,156)            | -            | -                      |
| Upkeep, repair and maintenance of assets                              |      | (6,149,793)   | (6,015,855)            | -            | -                      |
| Utilities and fuel  |      | (2,223,439)   | (2,279,796)            | -            | -                      |
| Depreciation of:  |      |               |                        |              |                        |
| - property, plant and equipment                                       |      | (21,437,279)  | (27,959,650)           | (10,728,269) | (12,604,905)           |
| - right-of-use assets   |      | (4,742,462)   | -                      | (2,736,189)  | -                      |
| Upkeep and cultivation  |      | (26,886,151)  | (32,619,538)           | (12,419,258) | (12,476,021)           |
| Harvesting  |      | (20,797,972)  | (21,998,455)           | (9,315,774)  | (8,184,908)            |
| Estate general charges  |      | (6,267,026)   | (8,980,494)            | (3,150,492)  | (3,549,048)            |
| Fair value gain on investment property                                |      | 37,587,461    | -                      | 37,587,461   | -                      |
| Other operating expenses  |      | (7,800,959)   | (16,414,633)           | (373,642)    | (2,841,666)            |
| Finance income  |      | 582,797       | 1,790,687              | 818,849      | 1,703,614              |
| Finance cost  |      | (771,875)     | (4,442)                | (896,996)    | (1,119,382)            |
| Share of profit after tax of associates                               |      | 30,769,258    | 15,181,119             | -            | -                      |
| Profit before tax   | 5    | 103,140,985   | 72,153,291             | 72,944,838   | 59,930,878             |
| Tax expense   | 7    | (18,352,930)  | (15,617,152)           | (12,917,427) | (5,375,730)            |
| Profit for the financial year   |      | 84,788,055    | 56,536,139             | 60,027,411   | 54,555,148             |
| <b>Profit for the financial year attributable to:</b>                 |      |               |                        |              |                        |
| Owners of the Company   |      | 80,017,099    | 49,800,847             | 60,027,411   | 54,555,148             |
| Non-controlling interests   |      | 4,770,956     | 6,735,292              | -            | -                      |
|   |      | 84,788,055    | 56,536,139             | 60,027,411   | 54,555,148             |
| <b>Other comprehensive income</b>                                     |      |               |                        |              |                        |
| <u>Items that may be reclassified subsequently to profit or loss:</u> |      |               |                        |              |                        |
| - Share of other comprehensive income of associate                    |      | 1,088,571     | (68,036)               | -            | -                      |
| - Fair value gain on other investment                                 |      | -             | 6,397                  | -            | 6,397                  |
| <b>Total comprehensive income for the year</b>                        |      | 85,876,626    | 56,474,500             | 60,027,411   | 54,561,545             |
| <b>Total comprehensive income attributable to:</b>                    |      |               |                        |              |                        |
| Owners of the Company   |      | 81,105,670    | 49,739,208             | 60,027,411   | 54,561,545             |
| Non-controlling interests   |      | 4,770,956     | 6,735,292              | -            | -                      |
|   |      | 85,876,626    | 56,474,500             | 60,027,411   | 54,561,545             |
| <b>Earnings per share attributable to Owners of the Company (sen)</b> |      |               |                        |              |                        |
| - basic and diluted   | 8    | 13.47         | 16.00                  |              |                        |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

| Note   | ← Group →        |                              |                            | ← Company →      |                              |                            |             |
|--|------------------|------------------------------|----------------------------|------------------|------------------------------|----------------------------|-------------|
|  | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM | Restated<br>1.1.2018<br>RM | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM | Restated<br>1.1.2018<br>RM |             |
| <b>ASSETS</b>                                |                  |                              |                            |                  |                              |                            |             |
| <b>Non-current assets</b>                    |                  |                              |                            |                  |                              |                            |             |
| Property, plant and equipment                | 10               | 272,688,483                  | 584,892,466                | 658,053,851      | 140,718,002                  | 352,945,968                | 255,505,598 |
| Investment property                          | 11               | 60,000,000                   | -                          | -                | 60,000,000                   | -                          | -           |
| Investments in subsidiaries                  | 12               | -                            | -                          | -                | 18,400,302                   | 18,400,302                 | 20,402,481  |
| Investments in associates                    | 13               | 459,481,378                  | 439,041,979                | 371,382,590      | 112,435,547                  | 112,435,547                | 110,433,368 |
| Other financial asset                        | 14               | 730,659                      | 730,659                    | 724,262          | 730,659                      | 730,659                    | 724,262     |
| Right-of-use assets                          | 15               | 316,922,940                  | -                          | -                | 206,211,074                  | -                          | -           |
| Amount due from a subsidiary                 | 18               | -                            | -                          | -                | 20,300,977                   | 18,030,855                 | 16,439,083  |
| Biological assets                            | 17               | 645,900                      | -                          | 611,626          | 409,582                      | -                          | -           |
|  |                  | 1,110,469,360                | 1,024,665,104              | 1,030,772,329    | 559,206,143                  | 502,543,331                | 403,504,792 |
| <b>Current assets</b>                        |                  |                              |                            |                  |                              |                            |             |
| Inventories                                  | 16               | 5,471,157                    | 10,172,834                 | 11,374,907       | 254,666                      | 662,338                    | 506,739     |
| Biological assets                            | 17               | 4,601,052                    | 4,649,041                  | 4,718,525        | 1,963,821                    | 2,356,066                  | 1,710,712   |
| Receivables                                  | 18               | 70,654,391                   | 47,005,577                 | 86,602,794       | 56,190,651                   | 45,990,945                 | 69,718,550  |
| Tax recoverable                              |                  | 7,342,902                    | 11,781,947                 | 1,242,361        | 4,195,149                    | 7,808,000                  | -           |
| Short-term investment                        | 19               | -                            | 3,466,767                  | 3,349,406        | -                            | -                          | -           |
| Deposits, cash and bank balances             | 20               | 45,404,621                   | 34,622,112                 | 141,815,426      | 13,286,745                   | 9,652,486                  | 80,706,420  |
|  |                  | 133,474,123                  | 111,698,278                | 249,103,419      | 75,891,032                   | 66,469,835                 | 152,642,421 |
| Non-current asset held for sale              | 21               | -                            | 22,412,539                 | 22,412,539       | -                            | 22,412,539                 | 22,412,539  |
| <b>TOTAL ASSETS</b>                          |                  | 1,243,943,483                | 1,158,775,921              | 1,302,288,287    | 635,097,175                  | 591,425,705                | 578,559,752 |
| <b>EQUITY AND LIABILITIES EQUITY</b>         |                  |                              |                            |                  |                              |                            |             |
| Share capital                                | 22               | 197,945,995                  | 197,945,995                | 141,390,000      | 197,945,995                  | 197,945,995                | 141,390,000 |
| Share premium                                | 23               | -                            | -                          | 46,852,783       | -                            | -                          | 44,947,244  |
| Retained earnings                            |                  | 873,337,659                  | 810,047,129                | 814,009,182      | 383,679,575                  | 341,467,304                | 339,800,390 |
| Equity attributable to Owners of the Company |                  | 1,071,283,654                | 1,007,993,124              | 1,002,251,965    | 581,625,570                  | 539,413,299                | 526,137,634 |
| Non-controlling interests                    |                  | 35,364,670                   | 33,733,714                 | 135,763,063      | -                            | -                          | -           |
| <b>TOTAL EQUITY</b>                          |                  | 1,106,648,324                | 1,041,726,838              | 1,138,015,028    | 581,625,570                  | 539,413,299                | 526,137,634 |



# Statements of Financial Position

As at 31 December 2019

|                                     |    | ←             | Group                  | →                    | ←           | Company                | →                    |
|-------------------------------------|----|---------------|------------------------|----------------------|-------------|------------------------|----------------------|
|                                     |    | 31.12.2019    | Restated<br>31.12.2018 | Restated<br>1.1.2018 | 31.12.2019  | Restated<br>31.12.2018 | Restated<br>1.1.2018 |
| Note                                | RM | RM            | RM                     | RM                   | RM          | RM                     | RM                   |
| <b>LIABILITIES</b>                  |    |               |                        |                      |             |                        |                      |
| <b>Non-current liabilities</b>      |    |               |                        |                      |             |                        |                      |
| Deferred tax liabilities            | 24 | 87,186,313    | 83,127,468             | 115,535,168          | 45,379,576  | 40,575,000             | 39,222,000           |
| Lease liabilities                   | 25 | 16,439,951    | -                      | -                    | 68,541      | -                      | -                    |
|                                     |    | 103,626,264   | 83,127,468             | 115,535,168          | 45,448,117  | 40,575,000             | 39,222,000           |
| <b>Current liabilities</b>          |    |               |                        |                      |             |                        |                      |
| Payables                            | 26 | 32,877,203    | 33,571,615             | 38,279,761           | 7,970,972   | 11,437,406             | 8,145,118            |
| Tax payable                         |    | 538,690       | 350,000                | 10,434,997           | -           | -                      | 5,055,000            |
| Hire purchase creditor              | 27 | -             | -                      | 23,333               | -           | -                      | -                    |
| Lease liabilities                   | 25 | 253,002       | -                      | -                    | 52,516      | -                      | -                    |
|                                     |    | 33,668,895    | 33,921,615             | 48,738,091           | 8,023,488   | 11,437,406             | 13,200,118           |
| <b>TOTAL LIABILITIES</b>            |    | 137,295,159   | 117,049,083            | 164,273,259          | 53,471,605  | 52,012,406             | 52,422,118           |
| <b>TOTAL EQUITY AND LIABILITIES</b> |    | 1,243,943,483 | 1,158,775,921          | 1,302,288,287        | 635,097,175 | 591,425,705            | 578,559,752          |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

← Attributable to Owners of the Company →

| Group  | Note | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Retained<br>Earnings<br>RM | Total<br>RM   | Non-<br>Controlling<br>Interest<br>RM | Total<br>Equity<br>RM |
|--|------|------------------------|------------------------|----------------------------|---------------|---------------------------------------|-----------------------|
| <b>2018</b>  |      |                        |                        |                            |               |                                       |                       |
| <b>At 1 January 2018</b>                             |      | 141,390,000            | 46,852,783             | 882,860,656                | 1,071,103,439 | 135,763,063                           | 1,206,866,502         |
| Prior year adjustments                               | 35   | -                      | -                      | (68,851,474)               | (68,851,474)  | -                                     | (68,851,474)          |
| <b>At 1 December 2018,<br/>as restated</b>           |      | 141,390,000            | 46,852,783             | 814,009,182                | 1,002,251,965 | 135,763,063                           | 1,138,015,028         |
| Bonus issue  |      | 56,555,995             | (46,852,783)           | (12,415,381)               | (2,712,169)   | -                                     | (2,712,169)           |
| Effect of loss of control                            | 12   | -                      | -                      | -                          | -             | (92,373,681)                          | (92,373,681)          |
| Share of other comprehensive<br>income of associate  |      | -                      | -                      | (68,036)                   | (68,036)      | -                                     | (68,036)              |
| Fair value gain on<br>other investment               |      | -                      | -                      | 6,397                      | 6,397         | -                                     | 6,397                 |
| Profit for the financial year                        |      | -                      | -                      | 49,800,847                 | 49,800,847    | 6,735,292                             | 56,536,139            |
| Total comprehensive income<br>for the financial year |      | -                      | -                      | 49,739,208                 | 49,739,208    | 6,735,292                             | 56,474,500            |
| <b>Transactions with Owners<br/>of the Company</b>   |      |                        |                        |                            |               |                                       |                       |
| Dividends for the years ended                        |      |                        |                        |                            |               |                                       |                       |
| - 31 December 2017                                   | 9    | -                      | -                      | (35,347,500)               | (35,347,500)  | (16,390,960)                          | (51,738,460)          |
| - 31 December 2018                                   | 9    | -                      | -                      | (5,938,380)                | (5,938,380)   | -                                     | (5,938,380)           |
| <b>At 31 December 2018</b>                           |      | 197,945,995            | -                      | 810,047,129                | 1,007,993,124 | 33,733,714                            | 1,041,726,838         |

← Attributable to Owners of the Company →

| Group  | Note | Share<br>capital<br>RM | Retained<br>Earnings<br>RM | Total<br>RM   | Non-<br>Controlling<br>Interests<br>RM | Total<br>Equity<br>RM |
|--|------|------------------------|----------------------------|---------------|--|-----------------------|
| <b>2019</b>  |      |                        |                            |               |  |                       |
| <b>At 1 January 2019</b>                             |      | 197,945,995            | 810,047,129                | 1,007,993,124 | 33,733,714                             | 1,041,726,838         |
| Share of other comprehensive<br>income of associate  |      | -                      | 1,088,571                  | 1,088,571     | -                                      | 1,088,571             |
| Profit for the financial year                        |      | -                      | 80,017,099                 | 80,017,099    | 4,770,956                              | 84,788,055            |
| Total comprehensive income<br>for the financial year |      | -                      | 81,105,670                 | 81,105,670    | 4,770,956                              | 85,876,626            |
| <b>Transactions with Owners<br/>of the Company</b>   |      |                        |                            |               |  |                       |
| Dividends for the years ended                        |      |                        |                            |               |  |                       |
| - 31 December 2018                                   | 9    | -                      | (11,876,760)               | (11,876,760)  | (3,140,000)                            | (15,016,760)          |
| - 31 December 2019                                   | 9    | -                      | (5,938,380)                | (5,938,380)   | -                                      | (5,938,380)           |
| <b>At 31 December 2019</b>                           |      | 197,945,995            | 873,337,659                | 1,071,283,654 | 35,364,670                             | 1,106,648,324         |



## Statements of Changes in Equity

For the financial year ended 31 December 2019

| Company   | Note | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Retained<br>Earnings<br>RM | Total<br>Equity<br>RM |
|---|------|------------------------|------------------------|----------------------------|-----------------------|
| <b>2018</b>   |      |                        |                        |                            |                       |
| <b>At 1 January 2018</b>  |      | 141,390,000            | 44,947,244             | 342,076,128                | 528,413,372           |
| Prior year adjustments  | 35   | -                      | -                      | (2,275,738)                | (2,275,738)           |
| <b>At 1 December 2018, as restated</b>  |      | 141,390,000            | 44,947,244             | 339,800,390                | 526,137,634           |
| Bonus issue   |      | 56,555,995             | (44,947,244)           | (11,608,751)               | -                     |
| Fair value gain on other investment   |      | -                      | -                      | 6,397                      | 6,397                 |
| Profit for the financial year   |      | -                      | -                      | 54,555,148                 | 54,555,148            |
| Total comprehensive income for the financial year   |      | -                      | -                      | 54,561,545                 | 54,561,545            |
| <b>Transactions with Owners of the Company</b>  |      |                        |                        |                            |                       |
| Dividends for the years ended   |      |                        |                        |                            |                       |
| - 31 December 2017  | 9    | -                      | -                      | (35,347,500)               | (35,347,500)          |
| - 31 December 2018  | 9    | -                      | -                      | (5,938,380)                | (5,938,380)           |
| <b>At 31 December 2018</b>  |      | 197,945,995            | -                      | 341,467,304                | 539,413,299           |
| <b>2019</b>   |      |                        |                        |                            |                       |
| <b>At 1 January 2019</b>  |      | 197,945,995            | -                      | 341,467,304                | 539,413,299           |
| Profit for the financial year, representing total comprehensive income for the financial year |      | -                      | -                      | 60,027,411                 | 60,027,411            |
| <b>Transactions with Owners of the Company</b>  |      |                        |                        |                            |                       |
| Dividends for the years ended   |      |                        |                        |                            |                       |
| - 31 December 2018  | 9    | -                      | -                      | (11,876,760)               | (11,876,760)          |
| - 31 December 2019  | 9    | -                      | -                      | (5,938,380)                | (5,938,380)           |
| <b>At 31 December 2019</b>  |      | 197,945,995            | -                      | 383,679,575                | 581,625,570           |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019

|  | Note | Group            |                              | Company          |                              |
|--|------|------------------|------------------------------|------------------|------------------------------|
|  |      | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM |
| <b>Operating activities</b>  |      |                  |                              |                  |                              |
| Profit before tax  |      | 103,140,985      | 72,153,291                   | 72,944,838       | 59,930,878                   |
| Adjustments for:   |      |                  |                              |                  |                              |
| Property, plant and equipment  |      |                  |                              |                  |                              |
| - depreciation   |      | 21,437,279       | 27,959,650                   | 10,728,269       | 12,604,905                   |
| - gain on disposal   |      | (48,599)         | (7,262,133)                  | (48,599)         | (7,262,133)                  |
| - written off  |      | 14,258           | 58                           | 14,232           | -                            |
| Depreciation for right-of-use assets   |      | 4,742,462        | -                            | 2,736,189        | -                            |
| Other receivables written off  |      | 33,843           | 15,548                       | 19,703           | 5,677                        |
| Fair value loss/(gain) on biological assets  |      | 47,989           | (1,527,397)                  | 392,245          | (645,354)                    |
| Fair value gain on investment property   |      | (37,587,461)     | -                            | (37,587,461)     | -                            |
| Share of profit after tax of associates  |      | (30,769,258)     | (15,181,119)                 | -                | -                            |
| Dividend income from   |      |                  |                              |                  |                              |
| - subsidiaries   |      | -                | -                            | (10,790,705)     | (33,122,021)                 |
| - associates   |      | -                | -                            | (10,510,688)     | (3,000,000)                  |
| Finance cost   | 5    | 771,875          | 4,442                        | 896,996          | 1,119,382                    |
| Finance income   | 5    | (582,797)        | (1,790,687)                  | (818,849)        | (1,703,614)                  |
| Operating profit before working capital  |      | 61,200,576       | 74,371,653                   | 27,976,170       | 27,927,720                   |
| Changes in working capital:  |      |                  |                              |                  |                              |
| - inventories  |      | 4,701,677        | 1,336,672                    | 407,672          | (155,599)                    |
| - receivables  |      | (23,682,657)     | 34,198,853                   | (12,587,114)     | 21,792,306                   |
| - payables   |      | 5,243,968        | (3,426,987)                  | 2,471,946        | (2,646,092)                  |
| Cash from operations   |      | 47,463,564       | 106,480,191                  | 18,268,674       | 46,918,335                   |
| Finance cost paid  |      | (771,875)        | (4,442)                      | (70,065)         | -                            |
| Finance income received  |      | 582,797          | 1,673,326                    | 89,259           | 922,082                      |
| Tax refunded   |      | 1,522,504        | -                            | -                | -                            |
| Tax paid   |      | (11,188,854)     | (36,579,440)                 | (4,500,000)      | (16,885,730)                 |
| Net cash flow from operating activities  |      | 37,608,136       | 71,569,635                   | 13,787,868       | 30,954,687                   |
| <b>Investing activities</b>  |      |                  |                              |                  |                              |
| Property, plant and equipment  |      |                  |                              |                  |                              |
| - purchase   |      | (13,988,696)     | (127,817,260)                | (7,290,163)      | (117,048,135)                |
| - proceed from disposal  |      | 48,600           | 14,264,993                   | 48,600           | 14,264,993                   |
| Dividend from  |      |                  |                              |                  |                              |
| - subsidiaries   |      | -                | -                            | 10,790,705       | 33,122,021                   |
| - associates   |      | 11,418,430       | 4,170,000                    | 10,510,930       | 3,000,000                    |
| Additions to biological assets   |      | (645,900)        | -                            | (409,582)        | -                            |
| Additions to right-of-use assets   |      | (14,000)         | -                            | (14,000)         | -                            |
| Withdrawal of short-term investment  |      | 3,466,767        | -                            | -                | -                            |
| Cash and cash equivalent arising from the effect of subsidiary became associate (Note 12(a)) |      | -                | (17,618,889)                 | -                | -                            |
| Net cash flow from/(used in) investing activities  |      | 285,201          | (127,001,156)                | 13,636,490       | (66,661,121)                 |



## Statements of Cash Flows

For the financial year ended 31 December 2019

|   | Note | Group            |                              | Company          |                              |
|---|------|------------------|------------------------------|------------------|------------------------------|
|   |      | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM |
| <b>Financing activities</b>                                       |      |                  |                              |                  |                              |
| Settlement of hire purchase creditor                              |      | -                | (23,333)                     | -                | -                            |
| Dividends paid to:  |      |                  |                              |                  |                              |
| - Owners of the Company   |      | (23,753,520)     | (35,347,500)                 | (23,753,520)     | (35,347,500)                 |
| - non-controlling interests                                       |      | (3,140,000)      | (16,390,960)                 | -                | -                            |
| Payment for the principal portion of lease liabilities            |      | (217,308)        | -                            | (36,579)         | -                            |
| Net cash flow used in financing activities                        |      | (27,110,828)     | (51,761,793)                 | (23,790,099)     | (35,347,500)                 |
| <b>Net increase/(decrease) in cash<br/>and cash equivalents</b>   |      | 10,782,509       | (107,193,314)                | 3,634,259        | (71,053,934)                 |
| Cash and cash equivalents at beginning<br>of the financial year   |      | 34,622,112       | 141,815,426                  | 9,652,486        | 80,706,420                   |
| <b>Cash and cash equivalents at end<br/>of the financial year</b> | 20   | 45,404,621       | 34,622,112                   | 13,286,745       | 9,652,486                    |

(i) Cash outflows for lease liabilities as leases are as follows:

|  | Group<br>31.12.2019<br>RM | Company<br>31.12.2019<br>RM |
|--|---------------------------|-----------------------------|
| <b>Included in net cash from operating activities:</b> |                           |                             |
| Finance cost paid in relation to lease liabilities     | 705,906                   | 6,621                       |
| <b>Net cash flow used in financing activities</b>      |                           |                             |
| Payment for the principal portion of lease liabilities | 217,308                   | 36,579                      |
| <b>Total cash outflows for lease liabilities</b>       | 923,214                   | 43,200                      |



## Statements of Cash Flows

For the financial year ended 31 December 2019

(ii) Reconciliation of movements of liabilities to cash flows used in financing activities:

|  | At<br>1.1.2018<br>RM   | Net cash used<br>in financing<br>cash flows<br>RM | At<br>31.12.2018<br>RM | Effect on<br>adoption of<br>MFRS 16<br>RM         | At<br>1.1.2019<br>RM   |
|--|------------------------|---|------------------------|---|------------------------|
| <b>Group</b>   |                        |   |                        |   |                        |
| Hire purchase creditor   | 23,333                 | (23,333)  | -                      | -   | -                      |
| Lease liabilities  | -                      | -   | -                      | 16,910,261  | 16,910,261             |
| Total liabilities used in financing activities                                 | 23,333                 | (23,333)  | -                      | 16,910,261  | 16,910,261             |
|  |                        |   | At<br>1.1.2019<br>RM   | Net cash used<br>in financing<br>cash flows<br>RM | At<br>31.12.2019<br>RM |
| <b>Group</b>   |                        |   |                        |   |                        |
| Lease liabilities, representing total liabilities used in financing activities |                        |   | 16,910,261             | (217,308)   | 16,692,953             |
|  | At<br>31.12.2018<br>RM | Effect on<br>adoption of<br>MFRS 16<br>RM         | At<br>1.1.2019<br>RM   | Net cash used<br>in financing<br>cash flows<br>RM | At<br>31.12.2019<br>RM |
| <b>Company</b>   |                        |   |                        |   |                        |
| Lease liabilities  | -                      | 157,636   | 157,636                | (36,579)  | 121,057                |
| Total liabilities used in financing activities                                 | -                      | 157,636   | 157,636                | (36,579)  | 121,057                |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE INFORMATION

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

The address of the registered office and principal place of business of the Company is Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur.

The Company is principally involved in cultivation of oil palms, production and sales of fresh fruit bunches, crude palm oil and palm kernel and investment holdings. The principal activities of the subsidiaries are disclosed in Note 12. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue by the Board of Directors dated on 29 April 2020.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int**

#### (i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int

|                              |  |
|------------------------------|--|
| MFRS 16                      | Leases   |
| Amendments to MFRS 9         | Prepayment Features with Negative Compensation       |
| Amendments to MFRS 119       | Plan Amendment, Curtailment or Settlement            |
| Amendments to MFRS 128       | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23         | Uncertainty over Income Tax Treatments               |
| Annual Improvements to MFRSs | 2015 - 2017 Cycle                                    |

The adoption of the Amendments/Improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Group and of the Company except for:

#### **MFRS 16 Leases**

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 Property, Plant and Equipment whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. For leases that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

# Notes to the Financial Statements

31 December 2019

## 2. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

#### New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int (cont'd)

##### MFRS 16 Leases (cont'd)

As permitted by the transitional provision of MFRS 16, the Group and the Company had elected to adopt a modified transition approach. The Group and the Company had also applied the following practical expedients under MFRS 16:

- No adjustments are made on transition for leases for which the underlying assets are of low value.
- A single discount rate (4.2%) is applied to portfolio of leases with reasonably similar characteristics.
- The Group and the Company do not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- The Group and the Company use hindsight in determining lease terms for contracts that contain options for extension or termination.

The Group and the Company applied the requirements of MFRS 16 using the modified retrospective approach with the right-of-use assets being equal to lease liabilities at 1 January 2019 and consequently, there are no adjustments made to the comparatives presented.

The impact on the Group's and the Company's statements of financial position as at 1 January 2019 is summarised below:

|  | Previously<br>reported<br>under<br>MFRS 117<br>RM | Effect on<br>adoption of<br>MFRS 16<br>RM | Restated<br>under<br>MFRS 16<br>RM |
|--|---|---|------------------------------------|
| <b>Group</b>                                     |   |   |                                    |
| <b>Assets</b>                                    |   |   |                                    |
| Property, plant and equipment, at carrying value | 304,741,141                                       | (304,741,141)                             | -                                  |
| Right-of-use assets, at carrying value           | -   | 321,651,402                               | 321,651,402                        |
| <b>Liabilities</b>                               |   |   |                                    |
| Lease liabilities                                | -   | 16,910,261                                | 16,910,261                         |
| <b>Company</b>                                   |   |   |                                    |
| <b>Assets</b>                                    |   |   |                                    |
| Property, plant and equipment, at carrying value | 208,775,627                                       | (208,775,627)                             | -                                  |
| Right-of-use assets, at carrying value           | -   | 208,933,263                               | 208,933,263                        |
| <b>Liabilities</b>                               |   |   |                                    |
| Lease liabilities                                | -   | 157,636                                   | -                                  |



# Notes to the Financial Statements

31 December 2019

## 2. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

#### New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (cont'd)

#### (i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int (cont'd)

##### MFRS 16 Leases (cont'd)

The following table explains the differences between the Group’s and the Company’s operating lease commitments disclosed applying MFRS 117 at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019:

|   | Group<br>RM       | Company<br>RM  |
|---|-------------------|----------------|
| Operating lease commitments as disclosed at 31 December 2018                          | 41,031,400        | 14,400         |
| Effects from discounting at the incremental borrowing rate 4.2%                       | (24,756,234)      | -              |
| <b>Add:</b>   |                   |                |
| Lease liabilities additionally recognised based on the initial application of MFRS 16 | 663,895           | 157,636        |
| <b>Less:</b>  |                   |                |
| Short-term leases liabilities recognised on a straight-line basis of an expense       | (28,800)          | (14,400)       |
| <b>Lease liabilities recognised as at 1 January 2019</b>                              | <b>16,910,261</b> | <b>157,636</b> |

#### (ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and for the Company:

*Effective for financial periods beginning on or after 1 January 2020*

##### Amendments to MFRSs

|                                     |                                |
|-------------------------------------|--------------------------------|
| Amendments to MFRS 9 and MFRS 7     | Interest Rate Benchmark Reform |
| Amendments to MFRS 3                | Business Combinations          |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material         |

##### Amendments to References to the Conceptual Framework in MFRS

|                                     |   |
|-------------------------------------|---|
| Amendments to MFRS 2                | Share-Based Payment   |
| Amendments to MFRS 6                | Exploration for and Evaluation of Mineral Resources         |
| Amendments to MFRS 14               | Regulatory Deferral Accounts                                |
| Amendments to MFRS 134              | Interim Financial Reporting                                 |
| Amendments to MFRS 137              | Provisions, Contingent Liabilities and Contingent Assets    |
| Amendments to MFRS 138              | Intangible Assets   |
| Amendments to IC Interpretation 12  | Service Concession Arrangements                             |
| Amendments to IC Interpretation 19  | Extinguishing Financial Liabilities with Equity Instruments |
| Amendments to IC Interpretation 20  | Stripping Costs in the Production Phase of a Surface Mine   |
| Amendments to IC Interpretation 22  | Foreign Currency Transactions and Advance Consideration     |
| Amendments to IC Interpretation 132 | Intangible Assets - Web Site Costs                          |

# Notes to the Financial Statements

31 December 2019

## 2. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

#### **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (cont'd)**

#### **(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)**

*Effective for financial periods beginning on or after 1 January 2021*

MFRS 17 Insurance Contracts

*Effective for financial periods beginning on or after 1 January 2022*

MFRS 101 Classification of Liabilities as Current or Non-Current

*Effective date to be announced*

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial applications.

### (b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Group’s and the Company’s functional currency.

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group’s and the Company’s results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group’s and the Company’s accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group’s and the Company’s accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.



# Notes to the Financial Statements

## 31 December 2019

### 2. BASIS OF PREPARATION (cont'd)

#### (d) Significant accounting estimates and judgements (cont'd)

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

##### (i) *Income taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

##### (ii) *Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

##### (iii) *Biological assets*

In measuring the fair value of fresh fruit bunches ("FFB"), estimates and judgements are required which include the market price, production quantity, maturity, processing costs and other direct costs. Changes to any of these assumptions would affect the fair value of the FFB.

The Group and the Company measured its biological assets at fair value less cost to sell with changes in fair value being recognised in profit or loss.

The key assumptions used in the valuation methods are disclosed in Note 17 to the financial statements.

##### (iv) *Investment properties*

There are complexities in determining the fair value of the investment properties, which involved significant estimates and judgements in determining the appropriate valuation methodologies and the estimations used in the application of the underlying assumptions in the valuation models used.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

#### (a) Basis of consolidation

##### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and reserves that relate to the subsidiary is recognised as gain or loss on disposal.

##### Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transactions costs are expensed to the statement of comprehensive income.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of consolidation (cont'd)

##### Business combination (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured and subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

##### Subsidiaries

A subsidiary is an entity over which the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

##### Non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to Owners of the Company.

# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of consolidation (cont'd)

##### Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

Goodwill relating to an associated company is included in the carrying amount of the investment. The goodwill is calculated as the difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Dividend from associates is recognised as a reduction in the carrying amounts of associates.

The associates' financial statements shall be prepared using uniform accounting policies for the transactions and events in similar circumstances.

##### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Revenue recognition and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group’s and the Company’s performances as the Group and the Company perform;
- The Group’s and the Company’s performances create or enhance an asset that the customer controls as the asset is created or enhanced; or
- The Group’s and the Company’s performances do not create an asset with an alternative use and the Group and the Company have enforceable rights to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Other revenue earned by the Group and by the Company are recognised on the following basis:

#### Dividend income

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

#### Interest income

Interest income is recognised on an accrual basis using the effective interest method.

#### Rental income

Rental income is accounted for on a straight line basis over the lease terms.

# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Employee benefits

##### (i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as an additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (e) Income taxes

##### (i) Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years’ tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

##### (ii) Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets 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 either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the acquisition cost.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (f) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the financial year for the effects of all dilutive potential ordinary shares.

#### (g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

##### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use.

The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and to the Company and their costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term in which case they will depreciated over their useful lives.

No depreciation is provided on assets under construction and upon completion on the construction, the cost will be transferred to the relevant category within property, plant and equipment.

Depreciation is recognised in profit or loss on a straight-line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following estimated useful lives:



## Notes to the Financial Statements

31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Property, plant and equipment (cont'd)

##### (iii) Depreciation (cont'd)

|   |   |
|---|---|
| Long term leasehold lands *                       | Over the lease period ranging from 52 to 98 years |
| Buildings   | 10 years  |
| Plant and machineries                             | 5 years   |
| Motor vehicles, furniture, fixtures and equipment | 3 - 5 years                                       |

\* *In the previous financial year, these leasehold lands were depreciated over their estimated useful life ranging from 52 to 98 years. Upon adoption of MFRS 16 Leases, these leasehold lands have been reclassified as Right-of-Use assets as at the date of initial application, i.e. 1 January 2019.*

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

#### (h) Bearer plants

##### (i) Recognition and measurement

Bearer plants are living trees that are used in the supply of agricultural produce and where production is expected for more than one period with a remote likelihood of being sold as other agricultural produce.

Bearer plants comprise of pre-cropping cost incurred for new plantings and replanting. Pre-cropping costs incurred are capitalised and depreciated over the useful life of the rootstock commencing from the date of maturity of the rootstock.

The carrying values of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life and depreciation method are reviewed at each financial 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 benefits.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of bearer plants at the following estimated useful lives:

|                                |          |
|--------------------------------|----------|
| Bearer plants - after maturity | 22 years |
|--------------------------------|----------|

The policy for the recognition and measurement of impairment loss is in accordance with Note 3(n)(ii).

A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in profit or loss in the year the bearer plant is derecognised.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

#### (j) Leases

##### *Current financial year*

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined as follows:

|                 |   |
|-----------------|---|
| Lease of lands  | Over the lease period ranging from 50 to 59 years |
| Leasehold lands | Over the lease period ranging from 52 to 98 years |
| Office units    | 3 - 5 years                                       |

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group and the Company change its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Leases (cont'd)

##### *Previous financial year*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset (or assets) or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

##### Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

##### Operating lease

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position, except for property interests held under an operating lease. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### (k) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, fixed deposits placed with licensed banks and deposits placed with other corporation that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.



# Notes to the Financial Statements

31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### *Financial assets*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company change their business models for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### (a) *Amortised cost*

The amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(m)(i)) where the effective interest rate is applied to the amortised cost.

##### (b) *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value.

# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Financial instruments (cont'd)

##### (ii) Financial instrument categories and subsequent measurement (cont'd)

###### (c) Fair value through other comprehensive income

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. These financial assets satisfy the conditions for classification as financial assets at fair value through other comprehensive income under MFRS 9 with all subsequent changes in fair value being recognised in other comprehensive income and not subsequently transferred to profit or loss on derecognition.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 3(m)(i)).

###### Financial liabilities

The category of financial liabilities is as follows:

###### Amortised cost

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

The fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently have legally enforceable rights to set off the amounts and they intend either to settle them on a net basis or to realise the asset and liability simultaneously.

##### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.



# Notes to the Financial Statements

31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Financial instruments (cont'd)

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (n) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses (“ECL”) on financial assets measured at amortised cost, contract assets and lease receivables. ECL is a probability-weighted estimate of credit losses.

Loss allowances of the Group and the Company are measured on either of the following bases:

- (i) 12-month ECL - represents the ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime ECL - represents the ECL that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Simplified approach - trade receivables

The Group and the Company apply the simplified approach to provide ECL for all trade receivables as permitted by MFRS 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group’s and the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where applicable.

#### General approach - other financial instruments

The Group and the Company apply the general approach to provide for ECL on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECL at initial recognition.



# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Impairment (cont'd)

##### (i) Financial assets (cont'd)

###### General approach - other financial instruments (cont'd)

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECL.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and to the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company are exposed to credit risk.

###### Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than 365 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.



# Notes to the Financial Statements

31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Impairment (cont'd)

#### (i) Financial assets (cont'd)

##### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

#### (ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

#### (o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

##### Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

# Notes to the Financial Statements

## 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (q) Investment property

Investment property are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured initially at its cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use.

Investment properties are subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

Fair value gain or loss arising from the reclassification from property, plant and equipment to investment property is recognised in profit or loss.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the items are derecognised.

#### (r) Biological assets

Biological assets comprised of produce growing on bearer plants and other biological assets. Biological assets are measured at fair value less costs to sell. Any gain or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

Biological assets are classified as current assets for produce that are expected to be harvested and sold on a date not more than 12 months after the reporting date and the balance is classified as non-current.

#### (s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.



# Notes to the Financial Statements

31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (u) Fair value measurement

The fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 4. REVENUE

|  | Note  | Group       |                        | Company    |            |
|--|-------|-------------|------------------------|------------|------------|
|  |       | 2019<br>RM  | Restated<br>2018<br>RM | 2019<br>RM | 2018<br>RM |
| <b>Revenue from contracts with customers</b>   |       |             |                        |            |            |
| Sale of FFB                                    | (i)   | 72,522,713  | 87,336,645             | 58,524,240 | 59,892,720 |
| Sale of crude palm oil, palm kernel and others | (ii)  | 308,606,131 | 292,488,147            | -          | -          |
|  |       | 381,128,844 | 379,824,792            | 58,524,240 | 59,892,720 |
| Dividend income                                | (iii) | -           | -                      | 21,301,393 | 36,122,021 |
|  |       | 381,128,844 | 379,824,792            | 79,825,633 | 96,014,741 |

### Significant judgement on revenue recognition

The performance obligations and revenue recognition policies for each revenue streams have been presented as below:

#### (i) Sale of FFB

The Group and the Company are engaged in the sale of FFB. The Group and the Company entered into contracts with customers to supply FFB. Revenue is recognised upon delivery and issuance of sales invoice to customers.

## Notes to the Financial Statements

31 December 2019

#### 4. REVENUE (cont'd)

##### Significant judgement on revenue recognition (cont'd)

##### (ii) Sale of crude palm oil, palm kernel and others

The Group is engaged in the sale of crude palm oil, palm kernel, oil palm shell, palm bunch ash and palm fibre. The Group entered into contracts with customers to supply crude palm oil, palm kernel and others. Revenue is recognised upon delivery and issuance of sales invoices to the customers.

##### (iii) Dividend income

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

##### Performance Obligation ("PO") of (i) and (ii)

PO is satisfied upon delivery of goods to customers and acknowledgment by customers. The credit terms granted to the customers is 30 days. No allocation of transaction price is required as each contract consists of one PO only.

##### Timing of recognition of (i) and (ii)

Revenue is recognised at the point in time when the Group and the Company had satisfied the PO, i.e. delivery of goods to the customers. At the end of the financial year, there is no unsatisfied PO, i.e. undelivered goods.

#### 5. PROFIT BEFORE TAX

Other than those disclosed in statements of comprehensive income, the following items have been charged/(credited) in arriving at profit before tax:

|  | Group      |             | Company    |             |
|--|------------|-------------|------------|-------------|
|  | 2019<br>RM | 2018<br>RM  | 2019<br>RM | 2018<br>RM  |
| Auditors' remuneration:  |            |             |            |             |
| - current year   | 289,000    | 217,000     | 150,000    | 60,000      |
| - others   | 10,000     | 43,000      | 10,000     | 43,000      |
| Property, plant and equipment:                                 |            |             |            |             |
| - written off  | 14,258     | 58          | 14,232     | -           |
| - gain on disposal   | (48,599)   | (7,262,133) | (48,599)   | (7,262,133) |
| Finance cost:  |            |             |            |             |
| - bank borrowing   | 65,969     | 4,442       | 63,444     | -           |
| - lease liabilities  | 705,906    | -           | 6,621      | -           |
| - loss on initial recognition of amounts due from subsidiaries | -          | -           | 826,931    | 1,119,382   |
| Other receivables written off                                  | 33,843     | 15,548      | 19,703     | 5,677       |
| Rental of land   | -          | 489,652     | -          | -           |
| Rental of office   | 28,800     | 115,200     | 14,400     | 57,600      |
| Finance income:  |            |             |            |             |
| - hibah*   | (31,922)   | -           | (869)      | -           |
| - fixed deposits   | (550,875)  | (1,790,687) | (88,390)   | (922,082)   |
| - amortisation of amounts due from subsidiaries                | -          | -           | (729,590)  | (781,532)   |
| Rental income  | (81,315)   | (198,425)   | (69,315)   | (76,029)    |

\* Finance income from Hibah refers to interest earned under Shariah rulings



## Notes to the Financial Statements

### 31 December 2019

#### 6. EMPLOYEE BENEFITS EXPENSE

|  | Group             |                   | Company          |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | 2019<br>RM        | 2018<br>RM        | 2019<br>RM       | 2018<br>RM       |
| <b>Staff costs:</b>                    |                   |                   |                  |                  |
| - Salaries, bonus and other benefits   | 15,427,838        | 13,427,620        | 3,684,397        | 2,160,221        |
| - Defined contribution plans           | 1,553,839         | 1,367,254         | 447,517          | 238,965          |
|  | 16,981,677        | 14,794,874        | 4,131,914        | 2,399,186        |
| <b>Key management personnel:</b>       |                   |                   |                  |                  |
| <b>Directors' remuneration:</b>        |                   |                   |                  |                  |
| - Fees                                 | 2,585,490         | 2,005,931         | 648,090          | 675,863          |
| - Salaries and other emoluments        | 3,916,925         | 3,205,505         | 1,854,525        | 1,857,398        |
|  | 6,502,415         | 5,211,436         | 2,502,615        | 2,533,261        |
| <b>Other key management personnel:</b> |                   |                   |                  |                  |
| - Salaries, bonus and other benefits   | 2,296,460         | 1,631,099         | 1,072,565        | 1,040,209        |
| - Defined contribution plans           | 284,245           | 205,896           | 152,433          | 148,139          |
|  | 2,580,705         | 1,836,995         | 1,224,998        | 1,188,348        |
| <b>Total employee benefits expense</b> | <b>26,064,797</b> | <b>21,843,305</b> | <b>7,859,527</b> | <b>6,120,795</b> |

#### 7. TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

|   | Group             |                   | Company           |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | 2019<br>RM        | 2018<br>RM        | 2019<br>RM        | 2018<br>RM       |
| <b>Current tax</b>                                |                   |                   |                   |                  |
| Malaysian income tax                              |                   |                   |                   |                  |
| - Current year                                    | 14,759,860        | 15,412,399        | 8,415,475         | 4,192,000        |
| - Overprovision in previous financial years       | (465,775)         | (123,547)         | (302,624)         | (169,270)        |
|   | 14,294,085        | 15,288,852        | 8,112,851         | 4,022,730        |
| <b>Deferred tax (Note 24)</b>                     |                   |                   |                   |                  |
| - (Reversal)/Origination of temporary differences | (891,145)         | 328,300           | 23,705            | 1,353,000        |
| - Underprovision in previous financial years      | 4,949,990         | -                 | 4,780,871         | -                |
|   | 4,058,845         | 328,300           | 4,804,576         | 1,353,000        |
| <b>Tax expense for the financial year</b>         | <b>18,352,930</b> | <b>15,617,152</b> | <b>12,917,427</b> | <b>5,375,730</b> |

## Notes to the Financial Statements

31 December 2019

### 7. TAX EXPENSE (cont'd)

The reconciliations from the tax amount at statutory income tax rate to the Group's and to the Company's tax expense are as follows:

|  | Group       |                        | Company     |              |
|--|-------------|------------------------|-------------|--------------|
|  | 2019<br>RM  | Restated<br>2018<br>RM | 2019<br>RM  | 2018<br>RM   |
| Profit before tax  | 103,140,985 | 72,153,291             | 72,944,838  | 59,930,878   |
| Tax calculated at the tax rate of 24%  | 24,753,836  | 17,316,790             | 17,506,761  | 14,383,411   |
| Tax effect on share of results of associates   | (7,384,622) | (3,643,469)            | -           | -            |
| Tax effect of different tax rates arising from fair value gain on investment property at 10% | (5,262,245) | -                      | (5,262,245) | -            |
| Expenses not deductible for tax purposes   | 1,891,096   | 4,260,779              | 1,306,998   | 1,722,239    |
| (Over)/Underprovision in previous financial years  |             |                        |             |              |
| - Current tax  | (465,775)   | (123,547)              | (302,624)   | (169,270)    |
| - Deferred tax   | 4,949,990   | -                      | 4,780,871   | -            |
| Deferred tax assets not recognised   | -           | 80,000                 | -           | -            |
| Income not subject to tax  | (129,350)   | (2,273,401)            | (5,112,334) | (10,560,650) |
| Total tax expense  | 18,352,930  | 15,617,152             | 12,917,427  | 5,375,730    |

### 8. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share of the Group are calculated by dividing the profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

|   | 31.12.2019  | Restated<br>31.12.2018 |
|---|-------------|------------------------|
| Profit attributable to Owners of the Company (RM)           | 80,017,099  | 49,800,847             |
| Weighted average number of ordinary shares in issue (units) | 593,837,985 | 311,212,942            |
| Basic and diluted earnings per share (sen)                  | 13.47       | 16.00                  |

#### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

Diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding during the financial year.





## Notes to the Financial Statements

### 31 December 2019

#### 9. DIVIDENDS

|   | Paid on          | Group and Company |            |
|---|------------------|-------------------|------------|
|   |                  | 2019<br>RM        | 2018<br>RM |
| <b>Attributable to Owners of the Company</b>      |                  |                   |            |
| Interim single tier dividend:                     |                  |                   |            |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2017 of 25 sen per ordinary share     | 25 June 2018     | -                 | 35,347,500 |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2018 of 1 sen per ordinary share      | 15 January 2019  | -                 | 5,938,380  |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2019 of 1 sen per ordinary share      | 17 December 2019 | 5,938,380         | -          |
| Final single tier dividend:                       |                  |                   |            |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2018 of 2 sen per ordinary share      | 16 July 2019     | 11,876,760        | -          |
|   |                  | 17,815,140        | 41,285,880 |
| <b>Attributable to non-controlling interests:</b> |                  |                   |            |
| Final single tier dividend:                       |                  |                   |            |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2017 of 80 sen per ordinary share     | 4 June 2018      | -                 | 11,832,210 |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2017 of 350 sen per ordinary share    | 4 June 2018      | -                 | 700,000    |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2017 of 2 sen per ordinary share      | 14 May 2018      | -                 | 1,470,000  |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2017 of 325 sen per ordinary share    | 4 June 2018      | -                 | 2,388,750  |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2018 of 2 sen per ordinary share      | 16 May 2019      | 1,470,000         | -          |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2018 of 100 sen per ordinary share    | 29 May 2019      | 200,000           | -          |
| - in respect of financial year ended              |                  |                   |            |
| 31 December 2018 of 30 sen per ordinary share     | 16 May 2019      | 1,470,000         | -          |
|   |                  | 3,140,000         | 16,390,960 |

On 19 November 2019, the Directors declared an interim single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM5,938,380 which was paid on 17 December 2019.

The Directors are pleased to declare the payment of second interim single tier dividend of 1.50 sens per ordinary share for the financial year ended 31 December 2019 amounting to RM8,907,570 which is payable on 14 July 2020.

## Notes to the Financial Statements

31 December 2019

### 10. PROPERTY, PLANT AND EQUIPMENT

| Group<br>2019                         | Long term<br>leasehold<br>land<br>RM | Bearer plants |                | Buildings<br>RM | Plant and<br>machineries<br>RM | Motor vehicles,<br>furniture,<br>fixtures and<br>equipment<br>RM | Assets<br>under<br>construction<br>RM | Total<br>RM   |
|---------------------------------------|--------------------------------------|---------------|----------------|-----------------|--------------------------------|--|---------------------------------------|---------------|
|                                       |                                      | Mature<br>RM  | Immature<br>RM |                 |                                |  |                                       |               |
| <b>Cost</b>                           |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January<br>(previously reported) | 316,252,536                          | 325,488,183   | 42,853,925     | 40,792,198      | 47,087,756                     | 13,396,832   | 1,945,111                             | 787,816,541   |
| Effect on adoption<br>of MFRS 16      | (316,252,536)                        | -             | -              | -               | -                              | -  | -                                     | (316,252,536) |
| At 1 January (restated)               | -                                    | 325,488,183   | 42,853,925     | 40,792,198      | 47,087,756                     | 13,396,832   | 1,945,111                             | 471,564,005   |
| Additions                             | -                                    | -             | 7,071,887      | 2,303,185       | 2,641,500                      | 1,242,768  | 729,356                               | 13,988,696    |
| Reclassification                      | -                                    | 14,729,753    | (14,729,753)   | -               | -                              | -  | -                                     | -             |
| Written off                           | -                                    | -             | -              | (1,972)         | (9,795)                        | (102,288)  | -                                     | (114,055)     |
| Disposal                              | -                                    | -             | -              | -               | -                              | (256,760)  | -                                     | (256,760)     |
| At 31 December                        | -                                    | 340,217,936   | 35,196,059     | 43,093,411      | 49,719,461                     | 14,280,552   | 2,674,467                             | 485,181,886   |
| <b>Accumulated<br/>depreciation</b>   |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January<br>(previously reported) | 11,511,395                           | 123,727,074   | -              | 20,096,000      | 38,172,597                     | 9,417,009  | -                                     | 202,924,075   |
| Effect on adoption<br>of MFRS 16      | (11,511,395)                         | -             | -              | -               | -                              | -  | -                                     | (11,511,395)  |
| At 1 January (restated)               | -                                    | 123,727,074   | -              | 20,096,000      | 38,172,597                     | 9,417,009  | -                                     | 191,412,680   |
| Charge for the<br>financial year      | -                                    | 14,914,344    | -              | 2,864,443       | 2,154,961                      | 1,503,531  | -                                     | 21,437,279    |
| Reclassification                      | -                                    | -             | -              | -               | (9,793)                        | (90,004)   | -                                     | (99,797)      |
| Written off                           | -                                    | -             | -              | -               | -                              | (256,759)  | -                                     | (256,759)     |
| Disposal                              | -                                    | -             | -              | -               | -                              | -  | -                                     | -             |
| At 31 December                        | -                                    | 138,641,418   | -              | 22,960,443      | 40,317,765                     | 10,573,777   | -                                     | 212,493,403   |
| <b>Carrying amount</b>                |                                      |               |                |                 |                                |  |                                       |               |
| At 31 December                        | -                                    | 201,576,518   | 35,196,059     | 20,132,968      | 9,401,696                      | 3,706,775  | 2,674,467                             | 272,688,483   |



## Notes to the Financial Statements

31 December 2019

### 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group<br>2018                       | Long term<br>leasehold<br>land<br>RM | Bearer plants |                | Buildings<br>RM | Plant and<br>machineries<br>RM | Motor vehicles,<br>furniture,<br>fixtures and<br>equipment<br>RM | Assets<br>under<br>construction<br>RM | Total<br>RM   |
|-------------------------------------|--------------------------------------|---------------|----------------|-----------------|--------------------------------|--|---------------------------------------|---------------|
|                                     |                                      | Mature<br>RM  | Immature<br>RM |                 |                                |  |                                       |               |
| <b>Cost</b>                         |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January                        | 403,823,921                          | 407,640,541   | 23,346,229     | 49,220,656      | 48,557,248                     | 13,141,279   | 401,248                               | 946,131,122   |
| Additions                           | 61,798,898                           | 25,650,984    | 32,378,666     | 595,625         | 3,167,319                      | 2,280,657  | 1,945,111                             | 127,817,260   |
| Reclassification                    | -                                    | 4,711,798     | (4,711,798)    | 396,248         | -                              | 5,000  | (401,248)                             | -             |
| Written off                         | -                                    | -             | -              | (116,250)       | (21,957)                       | (30,523)   | -                                     | (168,730)     |
| Disposal                            | (7,160,283)                          | -             | -              | -               | -                              | (88,686)   | -                                     | (7,248,969)   |
| Loss of control<br>(Note 12)        | (142,210,000)                        | (112,515,140) | (8,159,172)    | (9,304,081)     | 584                            | (1,910,895)  | -                                     | (278,714,142) |
| At 31 December                      | 316,252,536                          | 325,488,183   | 42,853,925     | 40,792,198      | 47,087,756                     | 13,396,832   | 1,945,111                             | 787,816,541   |
| <b>Accumulated<br/>depreciation</b> |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January                        | 11,320,981                           | 202,444,797   | -              | 24,334,998      | 40,389,194                     | 9,587,301  | -                                     | 288,077,271   |
| Charge for the<br>financial year    | 5,350,135                            | 15,971,940    | -              | 3,027,188       | 2,223,114                      | 1,387,273  | -                                     | 27,959,650    |
| Reclassification                    | -                                    | -             | -              | (4,999)         | -                              | 4,999  | -                                     | -             |
| Written off                         | -                                    | -             | -              | (119,894)       | (18,301)                       | (30,477)   | -                                     | (168,672)     |
| Disposal                            | (157,425)                            | -             | -              | -               | -                              | (88,684)   | -                                     | (246,109)     |
| Loss of control<br>(Note 12)        | (5,002,296)                          | (94,689,663)  | -              | (7,141,293)     | (4,421,410)                    | (1,443,403)  | -                                     | (112,698,065) |
| At 31 December                      | 11,511,395                           | 123,727,074   | -              | 20,096,000      | 38,172,597                     | 9,417,009  | -                                     | 202,924,075   |
| <b>Carrying amount</b>              |                                      |               |                |                 |                                |  |                                       |               |
| At 31 December                      | 304,741,141                          | 201,761,109   | 42,853,925     | 20,696,198      | 8,915,159                      | 3,979,823  | 1,945,111                             | 584,892,466   |
| At 1 January                        | 392,502,940                          | 205,195,744   | 23,346,229     | 24,885,658      | 8,168,054                      | 3,553,978  | 401,248                               | 658,053,851   |

## Notes to the Financial Statements

31 December 2019

### 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company<br>2019                       | Long term<br>leasehold<br>land<br>RM | Bearer plants |                | Buildings<br>RM | Plant and<br>machineries<br>RM | Motor vehicles,<br>furniture,<br>fixtures and<br>equipment<br>RM | Assets<br>under<br>construction<br>RM | Total<br>RM   |
|---------------------------------------|--------------------------------------|---------------|----------------|-----------------|--------------------------------|--|---------------------------------------|---------------|
|                                       |                                      | Mature<br>RM  | Immature<br>RM |                 |                                |  |                                       |               |
| <b>Cost</b>                           |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January<br>(previously reported) | 215,449,864                          | 160,900,955   | 28,393,871     | 19,693,071      | 3,119,382                      | 8,152,078  | 286,900                               | 435,996,121   |
| Effect on adoption<br>of MFRS 16      | (215,449,864)                        | -             | -              | -               | -                              | -  | -                                     | (215,449,864) |
| At 1 January (restated)               | -                                    | 160,900,955   | 28,393,871     | 19,693,071      | 3,119,382                      | 8,152,078  | 286,900                               | 220,546,257   |
| Additions                             | -                                    | -             | 5,674,217      | 568,366         | 383,315                        | 481,930  | 182,335                               | 7,290,163     |
| Written off                           | -                                    | -             | -              | (1,972)         | (9,045)                        | (79,016)   | -                                     | (90,033)      |
| Disposal                              | -                                    | -             | -              | -               | -                              | (256,760)  | -                                     | (256,760)     |
| At 31 December                        | -                                    | 160,900,955   | 34,068,088     | 20,259,465      | 3,493,652                      | 8,298,232  | 469,235                               | 227,489,627   |
| <b>Accumulated<br/>depreciation</b>   |                                      |               |                |                 |                                |  |                                       |               |
| At 1 January<br>(previously reported) | 6,674,237                            | 59,924,951    | -              | 8,130,815       | 2,931,469                      | 5,388,681  | -                                     | 83,050,153    |
| Effect on adoption<br>of MFRS 16      | (6,674,237)                          | -             | -              | -               | -                              | -  | -                                     | (6,674,237)   |
| At 1 January (restated)               | -                                    | 59,924,951    | -              | 8,130,815       | 2,931,469                      | 5,388,681  | -                                     | 76,375,916    |
| Charge for the<br>financial year      | -                                    | 7,888,917     | -              | 1,787,560       | 89,830                         | 961,962  | -                                     | 10,728,269    |
| Written off                           | -                                    | -             | -              | -               | (9,044)                        | (66,757)   | -                                     | (75,801)      |
| Disposal                              | -                                    | -             | -              | -               | -                              | (256,759)  | -                                     | (256,759)     |
| At 31 December                        | -                                    | 67,813,868    | -              | 9,918,375       | 3,012,255                      | 6,027,127  | -                                     | 86,771,625    |
| <b>Carrying amount</b>                |                                      |               |                |                 |                                |  |                                       |               |
| At 31 December                        | -                                    | 93,087,087    | 34,068,088     | 10,341,090      | 481,397                        | 2,271,105  | 469,235                               | 140,718,002   |



## Notes to the Financial Statements

31 December 2019

### 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company<br>2018                     | Long term<br>leasehold<br>land<br>RM | Bearer plants |                | Buildings<br>RM | Plant and<br>machineries<br>RM | Motor vehicles,<br>furniture,<br>fixtures and<br>equipment<br>RM | Assets<br>under<br>construction<br>RM | Total<br>RM |
|-------------------------------------|--------------------------------------|---------------|----------------|-----------------|--------------------------------|--|---------------------------------------|-------------|
|                                     |                                      | Mature<br>RM  | Immature<br>RM |                 |                                |  |                                       |             |
| <b>Cost</b>                         |                                      |               |                |                 |                                |  |                                       |             |
| At 1 January                        | 160,811,249                          | 135,249,971   | 140,493        | 19,440,305      | 3,059,021                      | 7,493,916  | -                                     | 326,194,955 |
| Additions                           | 61,798,898                           | 25,650,984    | 28,253,378     | 252,766         | 60,361                         | 744,848  | 286,900                               | 117,048,135 |
| Disposal                            | (7,160,283)                          | -             | -              | -               | -                              | (86,686)   | -                                     | (7,246,969) |
| At 31 December                      | 215,449,864                          | 160,900,955   | 28,393,871     | 19,693,071      | 3,119,382                      | 8,152,078  | 286,900                               | 435,996,121 |
| <b>Accumulated<br/>depreciation</b> |                                      |               |                |                 |                                |  |                                       |             |
| At 1 January                        | 4,081,240                            | 52,850,312    | -              | 6,382,811       | 2,822,835                      | 4,552,159  | -                                     | 70,689,357  |
| Charge for the<br>financial year    | 2,750,422                            | 7,074,639     | -              | 1,748,004       | 108,634                        | 923,206  | -                                     | 12,604,905  |
| Disposal                            | (157,425)                            | -             | -              | -               | -                              | (86,684)   | -                                     | (244,109)   |
| At 31 December                      | 6,674,237                            | 59,924,951    | -              | 8,130,815       | 2,931,469                      | 5,388,681  | -                                     | 83,050,153  |
| <b>Carrying amount</b>              |                                      |               |                |                 |                                |  |                                       |             |
| At 31 December                      | 208,775,627                          | 100,976,004   | 28,393,871     | 11,562,256      | 187,913                        | 2,763,397  | 286,900                               | 352,945,968 |
| At 1 January                        | 156,730,009                          | 82,399,659    | 140,493        | 13,057,494      | 236,186                        | 2,941,757  | -                                     | 255,505,598 |

## Notes to the Financial Statements

31 December 2019

### 11. INVESTMENT PROPERTY

|  | <b>Leasehold land<br/>2019<br/>RM</b> |
|--|---------------------------------------|
| <b>Group/Company</b>                                       |                                       |
| <b>At fair value</b>                                       |                                       |
| At 1 January   | -                                     |
| Transferred from non-current asset held for sale (Note 21) | 22,412,539                            |
| Changes in fair value                                      | 37,587,461                            |
| At 31 December   | 60,000,000                            |

The fair value of the above investment property was estimated based on valuation by an independent registered valuer, which was based on market evidence of transaction prices for similar properties and, in which certain values are adjusted for differences in key attributes such as property size, time and location under the comparison method.

The Group uses assumptions that are mainly based on market conditions existing at the end of the reporting period. The valuation updated by an independent registered valuer is endorsed by the Board of Directors on an annual basis.

Fair value is determined through the comparison method using Level 3 inputs in the fair value hierarchy of MFRS 13 Fair Value Measurement. Changes in fair value are recognised in the statement of profit or loss during the reporting period in which they are reviewed.

### 12. INVESTMENTS IN SUBSIDIARIES

|                                    | <b>Company</b>    |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <b>31.12.2019</b> | <b>31.12.2018</b> |
|                                    | <b>RM</b>         | <b>RM</b>         |
| Unquoted shares, at cost:          |                   |                   |
| At beginning of the financial year | 18,400,302        | 20,402,481        |
| Effect on loss of control          | -                 | (2,002,179)       |
| At end of the financial year       | 18,400,302        | 18,400,302        |

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

| <b>Name of Subsidiaries</b>                              | <b>Note</b> | <b>Percentage equity held</b> |                   |                 | <b>Principal activities</b> |
|--|-------------|-------------------------------|-------------------|-----------------|-----------------------------|
|  |             | <b>31.12.2019</b>             | <b>31.12.2018</b> | <b>1.1.2018</b> |                             |
|  |             | %                             | %                 | %               |                             |
| <b>Held by the Company</b>                               |             |                               |                   |                 |                             |
| Dawn Oil Palm Plantations Sdn. Bhd.                      |             | 100.00                        | 100.00            | 100.00          | Oil palm plantations        |
| B.S. Oil Palm Plantations Sdn. Bhd.                      |             | 100.00                        | 100.00            | 100.00          | Oil palm plantations        |
| Spectacular Potential Sdn. Bhd. *                        |             | 100.00                        | 100.00            | 100.00          | Investment holding          |
| Inai Prisma Sdn. Bhd. *                                  |             | 100.00                        | 100.00            | 100.00          | Dormant company             |
| Far East Delima Plantations Sdn. Bhd. *                  |             | 80.00                         | 80.00             | 80.00           | Oil palm plantations        |
| F.E. Rangkaian Sdn. Bhd. *                               |             | 70.00                         | 70.00             | 70.00           | Oil palm plantations        |
| Kilang Kosfarm Sdn. Bhd.                                 |             | 51.00                         | 51.00             | 51.00           | Palm oil mill               |
| Kampong Aur Oil Palm Company<br>(Sdn.) Berhad ("KAOP") * | (a)         | -                             | -                 | 40.61           | Oil palm plantations        |
| <b>Subsidiary of KAOP</b>                                |             |                               |                   |                 |                             |
| Madah Perkasa Sdn. Bhd. **                               |             | -                             | -                 | 100.00          | Oil palm plantations        |

# Wholly-owned subsidiary of KAOP

\* Audited by auditors other than Moore Stephens Associates PLT



## Notes to the Financial Statements

### 31 December 2019

#### 12. INVESTMENTS IN SUBSIDIARIES (cont'd)

##### (a) Loss of control

In the previous financial year, the Company had consolidated KAOP's financial statements up to 30 June 2018 based on the view that control exists by virtue that the majority of KAOP's Directors comprised the Company's Directors and management of the estates still lies with the Company. Subsequently, due to a change in the composition of KAOP's Board of Directors, KAOP was no longer deemed to be a subsidiary of the Company. However, the management of KAOP's Group of the estates still lies with the Company.

The results of the former subsidiary that have been included in the consolidated statements of comprehensive income and in the consolidated statement of cash flows are as follows:

|   | <b>Group<br/>1.1.2018 to<br/>30.6.2018<br/>RM</b> |
|---|---|
| <b>Results</b>  |   |
| Revenue   | 25,681,583  |
| Expenses  | (18,307,607)                                      |
| Profit before tax   | 7,373,976   |
| Tax expense   | (3,743,115)                                       |
| Profit after tax, representing total comprehensive income | 3,630,861   |
| <b>Cash flows from/(used in):</b>                         |   |
| Operating activities                                      | 7,264,033   |
| Investing activities                                      | (1,152,131)                                       |
| Financing activities                                      | (19,922,506)                                      |
| Decrease in cash and cash equivalents                     | (13,810,604)                                      |

There has been neither gain nor loss on derecognition of the former subsidiary resulting from loss of control as follows:

|   | <b>Group<br/>Restated<br/>30.6.2018<br/>RM</b> | <b>Company<br/>30.6.2018<br/>RM</b> |
|---|--|-------------------------------------|
| Fair value of investment treated as an associate                                      | 56,716,306                                     | 2,002,179                           |
| Carrying amount of investment in the subsidiary                                       | -  | (2,002,179)                         |
| Property, plant and equipment derecognised  | (166,016,077)                                  | -                                   |
| Inventories derecognised  | (477,027)                                      | -                                   |
| Biological assets, at fair value derecognised   | (1,596,881)                                    | -                                   |
| Receivables derecognised  | (6,048,821)                                    | -                                   |
| Cash and cash equivalents derecognised  | (17,618,889)                                   | -                                   |
| Current liabilities derecognised  | 9,931,708                                      | -                                   |
| Non-current liabilities derecognised  | 32,736,000                                     | -                                   |
| Non-controlling interests derecognised  | 92,373,681                                     | -                                   |
| Gain attributable to Owners of the Company  | -  | -                                   |
| Net cash outflows presented as investing activities<br>in the statement of cash flows | 17,618,889                                     | -                                   |



## Notes to the Financial Statements

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### 12. INVESTMENTS IN SUBSIDIARIES (cont'd)

Non-controlling interests ("NCI") in subsidiaries

|  | Far East<br>Delima<br>Plantations<br>Sdn. Bhd.<br>RM | F.E.<br>Rangkaian<br>Sdn. Bhd.<br>RM | Kilang<br>Kosfarm<br>Sdn. Bhd.<br>RM | KAOP<br>RM  | Total<br>RM |
|--|--|--------------------------------------|--------------------------------------|-------------|-------------|
| <b>Group</b>   |  |                                      |                                      |             |             |
| <b>31.12.2019</b>  |  |                                      |                                      |             |             |
| NCI percentage of ownership interest and voting interest | 20.00%   | 30.00%                               | 49.00%                               | -           | -           |
| Carrying amount of NCI                                   | 4,818,460  | 1,031,401                            | 29,514,809                           | -           | 35,364,670  |
| Profit allocated to NCI                                  | 827,445  | 657,462                              | 3,286,049                            | -           | 4,770,956   |
| <b>31.12.2018</b>  |  |                                      |                                      |             |             |
| NCI percentage of ownership interest and voting interest | 20.00%   | 30.00%                               | 49.00%                               | 59.39%*     | -           |
| Carrying amount of NCI                                   | 4,191,015  | 373,939                              | 29,168,760                           | -           | 33,733,714  |
| Profit allocated to NCI                                  | 290,495  | 69,188                               | 4,219,241                            | 2,156,368   | 6,735,292   |
| <b>1.1.2018</b>  |  |                                      |                                      |             |             |
| NCI percentage of ownership interest and voting interest | 20.00%   | 30.00%                               | 49.00%                               | 59.39%      | -           |
| Carrying amount of NCI                                   | 4,600,520  | 304,751                              | 28,808,269                           | 102,049,523 | 135,763,063 |
| Profit/(Loss) allocated to NCI                           | 868,256  | (279,754)                            | 5,580,616                            | 19,961,886  | 26,131,004  |

\* Effective 1 July 2018, KAOP is no longer the Group's subsidiary. However, there is no change in the Group's equity interest in KAOP.

The summarised financial information (before intra-group eliminations) of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

|                               | Far East<br>Delima<br>Plantations<br>Sdn. Bhd.<br>RM | F.E.<br>Rangkaian<br>Sdn. Bhd.<br>RM | Kilang<br>Kosfarm<br>Sdn. Bhd.<br>RM |
|-------------------------------|--|--------------------------------------|--------------------------------------|
| <b>Group</b>                  |  |                                      |                                      |
| <b>31.12.2019</b>             |  |                                      |                                      |
| <b>Assets and liabilities</b> |  |                                      |                                      |
| Non-current assets            | 44,845,284   | 31,072,620                           | 23,407,685                           |
| Current assets                | 9,501,445  | 4,717,120                            | 56,922,082                           |
| Non-current liabilities       | (18,152,347)   | (26,466,720)                         | (1,883,236)                          |
| Current liabilities           | (12,102,081)   | (5,885,016)                          | (27,884,764)                         |
| Net assets                    | 24,092,301   | 3,438,004                            | 50,561,767                           |
| Net assets attributable to:   |  |                                      |                                      |
| Owners of the Company         | 24,092,301   | 3,438,004                            | 41,268,545                           |
| Non-controlling interests     | -  | -                                    | 9,293,222                            |
| Total net assets              | 24,092,301   | 3,438,004                            | 50,561,767                           |



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## 12. INVESTMENTS IN SUBSIDIARIES (cont'd)

The summarised financial information (before intra-group eliminations) of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (cont'd)

|  | <b>Far East<br/>Delima<br/>Plantations<br/>Sdn. Bhd.<br/>RM</b> | <b>F.E.<br/>Rangkaian<br/>Sdn. Bhd.<br/>RM</b> | <b>Kilang<br/>Kosfarm<br/>Sdn. Bhd.<br/>RM</b> |
|--|---|--|--|
| <b>Group (cont'd)</b>  |   |  |  |
| <b>31.12.2019</b>  |   |  |  |
| <b>Results</b>   |   |  |  |
| Revenue  | 17,726,437  | 9,279,308                                      | 305,512,011                                    |
| Profits for the financial year, representing total comprehensive income for the year | 1,394,345   | 272,918  | 5,114,712                                      |
| Profits attributable to:   |   |  |  |
| Owners of the Company  | 1,394,345   | 272,918  | 3,585,614                                      |
| Non-controlling interests  | -   | -  | 1,529,098                                      |
| Profits for the financial year, representing total comprehensive income for the year | 1,394,345   | 272,918  | 5,114,712                                      |
| <b>Cash flows from/(used in):</b>  |   |  |  |
| - Operating activities   | 1,951,831   | 2,506,095                                      | 13,435,489                                     |
| - Investing activities   | (1,055,488)   | (1,225,474)                                    | (830,779)                                      |
| - Financing activities   | (1,062,589)   | (24,715)                                       | (4,580,362)                                    |
| <b>31.12.2018</b>  |   |  |  |
| <b>Assets and liabilities</b>  |   |  |  |
| Non-current assets   | 36,859,850  | 25,575,240                                     | 24,037,771                                     |
| Current assets   | 5,660,351   | 2,004,414                                      | 51,169,107                                     |
| Non-current liabilities  | (8,488,000)   | (19,354,344)                                   | (1,839,838)                                    |
| Current liabilities  | (10,334,245)  | (5,060,223)                                    | (23,451,513)                                   |
| Net assets   | 23,697,956  | 3,165,087                                      | 49,915,527                                     |
| Net assets attributable to:  |   |  |  |
| Owners of the Company  | 23,697,956  | 3,165,087                                      | 40,679,935                                     |
| Non-controlling interests  | -   | -  | 9,235,592                                      |
| Total net assets   | 23,697,956  | 3,165,087                                      | 49,915,527                                     |
| <b>31.12.2018</b>  |   |  |  |
| <b>Results</b>   |   |  |  |
| Revenue  | 19,403,123  | 4,430,375                                      | 291,741,902                                    |
| Profits for the financial year, representing total comprehensive income for the year | 1,452,473   | 230,627  | 6,787,162                                      |
| Profits attributable to:   |   |  |  |
| Owners of the Company  | 1,452,473   | 230,627  | 5,035,139                                      |
| Non-controlling interests  | -   | -  | 1,752,023                                      |
| Profits for the financial year, representing total comprehensive income for the year | 1,394,345   | 230,627  | 6,787,162                                      |
| <b>Cash flows from/(used in):</b>  |   |  |  |
| - Operating activities   | 5,631,982   | 2,626,771                                      | 2,216,845                                      |
| - Investing activities   | (1,062,405)   | (3,254,781)                                    | (1,846,747)                                    |
| - Financing activities   | (3,500,000)   | -  | (5,412,083)                                    |

## Notes to the Financial Statements

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### 12. INVESTMENTS IN SUBSIDIARIES (cont'd)

The summarised financial information (before intra-group eliminations) of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (cont'd)

|                               | <b>Far East<br/>Delima<br/>Plantations<br/>Sdn. Bhd.<br/>RM</b> | <b>F.E.<br/>Rangkaian<br/>Sdn. Bhd.<br/>RM</b> | <b>Kilang<br/>Kosfarm<br/>Sdn. Bhd.<br/>RM</b> | <b>KAOP<br/>RM</b> |
|-------------------------------|---|--|--|--------------------|
| <b>Group</b>                  |   |  |  |                    |
| <b>1.1.2018</b>               |   |  |  |                    |
| <b>Assets and liabilities</b> |   |  |  |                    |
| Non-current assets            | 38,876,097  | 23,261,136                                     | 23,442,880                                     | 172,442,609        |
| Current assets                | 2,848,295   | 2,170,687                                      | 58,005,344                                     | 40,495,926         |
| Non-current liabilities       | (8,744,000)   | (17,372,779)                                   | (1,703,538)                                    | (32,736,000)       |
| Current liabilities           | (7,234,909)   | (5,124,584)                                    | (31,227,571)                                   | (8,383,125)        |
| Net assets                    | 25,745,483  | 2,934,460                                      | 48,517,115                                     | 171,819,410        |
| Net assets attributable to:   |   |  |  |                    |
| Owners of the Company         | 25,745,483  | 2,934,460                                      | 38,644,796                                     | 171,819,410        |
| Non-controlling interests     | -   | -  | 9,872,319                                      | -                  |
| Total net assets              | 25,745,483  | 2,934,460                                      | 48,517,115                                     | 171,819,410        |

### 13. INVESTMENTS IN ASSOCIATES

|                                      | <b>31.12.2019<br/>RM</b> | <b>Group<br/>Restated<br/>31.12.2018<br/>RM</b> | <b>Restated<br/>1.1.2018<br/>RM</b> | <b>Company<br/>31.12.2019<br/>RM</b> | <b>31.12.2018<br/>RM</b> | <b>1.1.2018<br/>RM</b> |
|--------------------------------------|--------------------------|---|-------------------------------------|--------------------------------------|--------------------------|------------------------|
| <b>At cost</b>                       |                          |   |                                     |                                      |                          |                        |
| Unquoted shares                      |                          |   |                                     |                                      |                          |                        |
| At 1 January                         | 143,938,906              | 87,222,600                                      | 87,222,600                          | 126,119,160                          | 124,116,981              | 124,116,981            |
| Additions**                          | -                        | 56,716,306                                      | -                                   | -                                    | 2,002,179                | -                      |
| At 31 December                       | 143,938,906              | 143,938,906                                     | 87,222,600                          | 126,119,160                          | 126,119,160              | 124,116,981            |
| Less: Accumulated<br>impairment loss | -                        | -   | -                                   | (13,683,613)                         | (13,683,613)             | (13,683,613)           |
|                                      | 143,938,906              | 143,938,906                                     | 87,222,600                          | 112,435,547                          | 112,435,547              | 110,433,368            |



## Notes to the Financial Statements

31 December 2019

### 13. INVESTMENTS IN ASSOCIATES (cont'd)

|   | Group            |                              |                            | Company          |                  |                |
|---|------------------|------------------------------|----------------------------|------------------|------------------|----------------|
|   | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM | Restated<br>1.1.2018<br>RM | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
| <b>Add: Share of post - acquisition results</b> |                  |                              |                            |                  |                  |                |
| At 1 January, as previously reported            | 372,232,112      | 350,735,726                  | *309,176,193               | -                | -                | -              |
| Prior year adjustments (Note 35)                | (77,129,039)     | (66,575,736)                 | -                          | -                | -                | -              |
| At 1 January, as restated                       | 295,103,073      | 284,159,990                  | 309,176,193                | -                | -                | -              |
| Profit for the financial year                   | 30,769,258       | 25,734,422                   | 43,409,640                 | -                | -                | -              |
| Other comprehensive income                      | 1,088,571        | (68,036)                     | 748,393                    | -                | -                | -              |
| Dividend  | (11,418,430)     | (4,170,000)                  | (2,598,500)                | -                | -                | -              |
| Total additions, as previously reported         | 20,439,399       | 21,496,386                   | 41,559,533                 | -                | -                | -              |
| Prior year adjustments (Note 35)                | -                | (10,553,303)                 | *(66,575,736)              | -                | -                | -              |
| Total additions, as restated                    | 20,439,399       | 10,943,083                   | (25,016,203)               | -                | -                | -              |
| At 31 December, as restated                     | 315,542,472      | 295,103,073                  | 284,159,990                | -                | -                | -              |
|   | 459,481,378      | 439,041,979                  | 371,382,590                | 112,435,547      | 112,435,547      | 110,433,368    |

\* The earliest period for which retrospective restatement is practicable is 1.1.2018

\*\* Additions relate to the derecognition of subsidiary, KAOP as disclosed in Note 12

(a) The details of the associates, all of which are incorporated in Malaysia, are as follows:

| Name of companies                                      | Principal activities  | Percentage equity held |            |          |
|--|---|------------------------|------------|----------|
|  |   | 31.12.2019             | 31.12.2018 | 1.1.2018 |
| <b>Held by the Company</b>                             |   |                        |            |          |
| Prosper Palm Oil Mill Sdn. Berhad ("PPOM")             | Operating of palm oil mill and oil palm plantation  | 40.00%                 | 40.00%     | 40.00%   |
| Future Prelude Sdn. Bhd. ("FPSB")                      | Manufacturing and exporting of palm oil, fatty acids and chemicals compounds or derivatives | 47.17%                 | 47.17%     | 47.17%   |
| Business & Budget Hotels (Kuantan) Sdn. Bhd. ("BBHSB") | Hotel and resort operator   | 36.29%                 | 36.29%     | 36.29%   |
| KAOP   | Oil palm plantations  | 40.61%                 | 40.61%     | -        |
| <b>Held by KAOP</b>                                    |   |                        |            |          |
| Madah Perkasa Sdn. Bhd.                                | Oil palm plantations  | 100.00%                | 100.00%    | 100.00%  |
| <b>Held by the Kilang Kosfarm Sdn. Bhd.</b>            |   |                        |            |          |
| Jaspurna Holdings Sdn. Bhd. *                          | Investment holding  | 45.00%                 | 45.00%     | 45.00%   |
| PGC Management Services Sdn. Bhd.*                     | Marketing of crude palm oil and management services   | 30.00%                 | 30.00%     | 30.00%   |

\* Shares held by Kilang Kosfarm Sdn. Bhd.

All of the financial statements of these associates were audited by auditors other than Moore Stephens Associates PLT.

## Notes to the Financial Statements

31 December 2019

### 13. INVESTMENTS IN ASSOCIATES (cont'd)

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

|   | <b>Prosper Palm<br/>Oil Mill Sdn.<br/>Berhad<br/>RM</b> | <b>Future<br/>Prelude<br/>Sdn. Bhd.<br/>RM</b> | <b>KAOP<br/>RM</b> | <b>Others<br/>RM</b> | <b>Total<br/>RM</b> |
|---|---|--|--------------------|----------------------|---------------------|
| <b>As at 31 December 2019</b>                 |   |  |                    |                      |                     |
| <b>Assets and liabilities</b>                 |   |  |                    |                      |                     |
| Non-current assets                            | 777,781,057   | 78,826,188                                     | 146,441,781        | 129,576,662          | 1,132,625,688       |
| Current assets                                | 165,855,356   | 102,324,544                                    | 25,424,865         | 23,979,687           | 317,584,452         |
| Non-current liabilities                       | (27,301,372)  | (3,879,000)                                    | (30,738,000)       | (93,822,837)         | (155,741,209)       |
| Current liabilities                           | (37,619,483)  | (20,274,800)                                   | (3,185,750)        | (14,979,381)         | (76,059,414)        |
| Net assets                                    | 878,715,558   | 156,996,932                                    | 137,942,896        | 44,754,131           | 1,218,409,517       |
| Less: Share of Group's results in associate * | (97,352,001)  | -  | -                  | -                    | (97,352,001)        |
| Adjusted net assets                           | 781,363,557   | 156,996,932                                    | 137,942,896        | 44,754,131           | 1,121,057,516       |
| <b>Year ended<br/>31 December 2019</b>        |   |  |                    |                      |                     |
| <b>Results</b>                                |   |  |                    |                      |                     |
| Revenue                                       | 183,596,687   | 414,437,277                                    | 49,178,581         | 141,728,860          | 788,941,405         |
| Profit for the financial year                 | 47,624,343  | 20,464,363                                     | 11,202,383         | 1,590,665            | 80,881,754          |
| Less: Share of Group's results in associate * | (6,722,055)   | -  | -                  | -                    | (6,722,055)         |
| Adjusted profit for the financial year        | 40,902,288  | 20,464,363                                     | 11,202,383         | 1,590,665            | 74,159,699          |
| Other comprehensive income                    | -   | -  | -                  | 3,000,000            | 3,000,000           |
| Total comprehensive income                    | 40,902,288  | 20,464,363                                     | 11,202,383         | 4,590,665            | 77,159,699          |
| Dividend                                      | (5,250,000)   | -  | (20,711,476)       | (2,950,000)          | (28,911,476)        |
| <b>As at 31 December 2018</b>                 |   |  |                    |                      |                     |
| <b>Assets and liabilities</b>                 |   |  |                    |                      |                     |
| Non-current assets                            | 746,173,962   | 72,027,543                                     | 150,944,129        | 34,813,217           | 1,003,958,851       |
| Current assets                                | 117,327,927   | 88,646,176                                     | 32,922,737         | 29,456,860           | 268,353,700         |
| Non-current liabilities                       | (4,577,288)   | (500,000)                                      | (31,332,000)       | (412,768)            | (36,822,056)        |
| Current liabilities                           | (21,059,337)  | (23,641,150)                                   | (5,082,877)        | (20,743,843)         | (70,527,207)        |
| Net assets                                    | 837,865,264   | 136,532,569                                    | 147,451,989        | 43,113,466           | 1,164,963,288       |
| Less: Share of Group's results in associate * | (92,153,995)  | -  | -                  | -                    | (92,153,995)        |
| Adjusted net assets                           | 745,711,269   | 136,532,569                                    | 147,451,989        | 43,113,466           | 1,072,809,293       |



## Notes to the Financial Statements

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### 13. INVESTMENTS IN ASSOCIATES (cont'd)

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

|   | Prosper Palm<br>Oil Mill Sdn.<br>Berhad<br>RM | Future<br>Prelude<br>Sdn. Bhd.<br>RM | KAOP<br>RM   | Others<br>RM | Total<br>RM  |
|---|---|--------------------------------------|--------------|--------------|--------------|
| <b>Year ended 31 December 2018</b>            |   |                                      |              |              |              |
| <b>Results</b>                                |   |                                      |              |              |              |
| Revenue                                       | 145,282,223                                   | 354,403,402                          | 48,767,224   | 148,578,580  | 697,031,429  |
| Profit for the financial year                 | 10,416,981                                    | 14,430,839                           | 11,421,915   | 5,661,534    | 41,931,269   |
| Less: Share of Group's results in associate * | (497,901)                                     | -                                    | -            | -            | (497,901)    |
| Adjusted profit for the financial year        | 9,919,080                                     | 14,430,839                           | 11,421,915   | 5,661,534    | 41,433,368   |
| Other comprehensive income                    | -   | -                                    | -            | (187,500)    | (187,500)    |
| Total comprehensive income                    | 9,919,080                                     | 14,430,839                           | 11,421,915   | 5,474,034    | 41,245,868   |
| Dividend                                      | (7,500,000)                                   | -                                    | -            | (3,750,000)  | (11,250,000) |
| <b>As at 1 January 2018</b>                   |   |                                      |              |              |              |
| <b>Assets and liabilities</b>                 |   |                                      |              |              |              |
| Non-current assets                            |   | 753,294,897                          | 74,287,460   | 33,469,846   | 861,052,203  |
| Current assets                                |   | 109,061,480                          | 81,742,942   | 37,405,117   | 228,209,539  |
| Non-current liabilities                       |   | (4,584,287)                          | -            | (417,739)    | (5,002,026)  |
| Current liabilities                           |   | (22,814,355)                         | (33,928,672) | (27,672,717) | (84,415,744) |
| Net assets                                    |   | 834,957,735                          | 122,101,730  | 42,784,507   | 999,843,972  |
| Less: Share of Group's results in associate * |   | (91,665,546)                         | -            | -            | (91,665,546) |
| Adjusted net assets                           |   | 743,292,189                          | 122,101,730  | 42,784,507   | 908,178,426  |

\* The profit for the financial year and net assets of PPOM include an indirect share of the Group's financial results as PPOM's 44.68% owned associate, Prosper Trading Sdn. Bhd., has a 23.73% equity interest in the Group. For accounting and disclosure purposes, these amounts have been excluded to arrive at the Group's share of PPOM's financial results and net assets.

- (c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates:

|   | Prosper Palm<br>Oil Mill<br>Sdn. Berhad<br>RM | Future<br>Prelude<br>Sdn. Bhd.<br>RM | KAOP<br>RM | Others<br>RM | Total<br>RM |
|---|---|--------------------------------------|------------|--------------|-------------|
| <b>As at 31 December 2019</b>   |   |                                      |            |              |             |
| <b>Reconciliation of net assets to carrying amount at end of the financial year</b>               |   |                                      |            |              |             |
| Group's share of net assets, representing carrying amount in the statements of financial position | 312,545,423                                   | 74,055,453                           | 56,018,610 | 16,861,892   | 459,481,378 |

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### 13. INVESTMENTS IN ASSOCIATES (cont'd)

- (c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates: (cont'd)

|  | Prosper Palm<br>Oil Mill<br>Sdn. Berhad<br>RM | Future<br>Prelude<br>Sdn. Bhd.<br>RM | KAOP<br>RM  | Others<br>RM | Total<br>RM  |
|--|---|--------------------------------------|-------------|--------------|--------------|
| <b>Group's share of results for the financial year ended 31 December</b> |   |                                      |             |              |              |
| Profit for the financial year  | 16,360,915                                    | 9,653,040                            | 4,549,287   | 206,016      | 30,769,258   |
| Other comprehensive income   | -   | -                                    | -           | 1,088,571    | 1,088,571    |
| Dividend   | (2,100,000)                                   | -                                    | (8,410,930) | (907,500)    | (11,418,430) |
| Total comprehensive income   | 14,260,915                                    | 9,653,040                            | (3,861,643) | 387,087      | 20,439,399   |

**As at 31 December 2018**  
**Reconciliation of net assets to carrying amount at end of the financial year**

|   |             |            |            |            |             |
|---|-------------|------------|------------|------------|-------------|
| Group's share of net assets, representing carrying amount in the statements of financial position | 298,284,508 | 64,402,413 | 59,880,253 | 16,474,805 | 439,041,979 |
|---|-------------|------------|------------|------------|-------------|

**Group's share of results for the financial year ended 31 December**

|                               |             |           |            |             |             |
|-------------------------------|-------------|-----------|------------|-------------|-------------|
| Profit for the financial year | 3,967,632   | 6,807,027 | *3,163,947 | 1,242,513   | 15,181,119  |
| Other comprehensive income    | -           | -         | -          | (68,036)    | (68,036)    |
| Dividend                      | (3,000,000) | -         | -          | (1,170,000) | (4,170,000) |
| Total comprehensive income    | 967,632     | 6,807,027 | *3,163,947 | 4,477       | 10,943,083  |

|   | Prosper Palm<br>Oil Mill<br>Sdn. Berhad<br>RM | Future<br>Prelude<br>Sdn. Bhd.<br>RM | Others<br>RM | Total<br>RM |
|---|---|--------------------------------------|--------------|-------------|
| <b>As at 1 January 2018</b>   |   |                                      |              |             |
| <b>Reconciliation of net assets to carrying amount at end of the financial year</b>               |   |                                      |              |             |
| Group's share of net assets, representing carrying amount in the statements of financial position | 297,316,876                                   | 57,595,386                           | 16,470,328   | 371,382,590 |

\* Share of results between 1 July 2018 and 31 December 2018, i.e. when KAOP became an associate company of the Group.





## Notes to the Financial Statements

31 December 2019

### 14. OTHER FINANCIAL ASSET

| Note   | ← Group and Company → |                              |                            |
|--|-----------------------|------------------------------|----------------------------|
|  | 31.12.2019<br>RM      | Restated<br>31.12.2018<br>RM | Restated<br>1.1.2018<br>RM |
| <b>At fair value through other comprehensive income:</b> |                       |                              |                            |
| Unquoted shares  | 3,000,000             | 3,000,000                    | 3,000,000                  |
| Changes in fair value:                                   |                       |                              |                            |
| At beginning of the year                                 | 2,269,341             | 2,275,738                    | -                          |
| Prior year adjustments                                   | -                     | (6,397)                      | 2,275,738                  |
| At the end of the year                                   | 2,269,341             | 2,269,341                    | 2,275,738                  |
|  | 730,659               | 730,659                      | 724,262                    |

This investment does not have a quoted market price in an active market and hence, the fair value was derived based on the Group's and on the Company's share of net assets of the investee. The fair value of other investment as at 31 December 2019 was determined based on the investee's net assets reported in its audited financial statements for the financial year ended 31 December 2018, representing the latest available financial information of the investee.

The fair value of the Group's and of the Company's other financial asset were within Level 3 of the fair value hierarchy.

There were no transfers between all three levels of the fair value hierarchy during the financial year.

### 15. RIGHT-OF-USE ASSETS

|  | Office units<br>RM | Leasehold<br>land<br>RM | Lease of<br>land<br>RM | Total<br>RM |
|--|--------------------|-------------------------|------------------------|-------------|
| <b>Group</b>                                 |                    |                         |                        |             |
| <b>Cost</b>                                  |                    |                         |                        |             |
| <b>At 1 January 2019 (previously stated)</b> | -                  | -                       | -                      | -           |
| Effect on adoption of MFRS 16                | 663,895            | 316,252,536             | 16,246,366             | 333,162,797 |
| <b>At 1 January 2019 (restated)</b>          | 663,895            | 316,252,536             | 16,246,366             | 333,162,797 |
| Addition                                     | -                  | 14,000                  | -                      | 14,000      |
| At 31 December 2019                          | 663,895            | 316,266,536             | 16,246,366             | 333,176,797 |
| <b>Accumulated depreciation</b>              |                    |                         |                        |             |
| <b>At 1 January 2019 (previously stated)</b> | -                  | -                       | -                      | -           |
| Effect on adoption of MFRS 16                | -                  | 11,511,395              | -                      | 11,511,395  |
| <b>At 1 January 2019 (restated)</b>          | -                  | 11,511,395              | -                      | 11,511,395  |
| Charge for the financial year                | 140,044            | 4,296,034               | 306,384                | 4,742,462   |
| At 31 December 2019                          | 140,044            | 15,807,429              | 306,384                | 16,253,857  |
| <b>Net carrying amount</b>                   |                    |                         |                        |             |
| At 31 December 2019                          | 523,851            | 300,459,107             | 15,939,982             | 316,922,940 |

## Notes to the Financial Statements

31 December 2019

### 15. RIGHT-OF-USE ASSETS (cont'd)

|  | Office units<br>RM | Leasehold<br>land<br>RM | Total<br>RM |
|--|--------------------|-------------------------|-------------|
| <b>Company</b>                               |                    |                         |             |
| <b>Cost</b>                                  |                    |                         |             |
| <b>At 1 January 2019 (previously stated)</b> | -                  | -                       | -           |
| Effect on adoption of MFRS 16                | 157,636            | 215,449,864             | 215,607,500 |
| <b>At 1 January 2019 (restated)</b>          | 157,636            | 215,449,864             | 215,607,500 |
| Addition                                     | -                  | 14,000                  | 14,000      |
| At 31 December 2019                          | 157,636            | 215,463,864             | 215,621,500 |
| <b>Accumulated depreciation</b>              |                    |                         |             |
| <b>At 1 January 2019 (previously stated)</b> | -                  | -                       | -           |
| Effect on adoption of MFRS 16                | -                  | 6,674,237               | 6,674,237   |
| <b>At 1 January 2019 (restated)</b>          | -                  | 6,674,237               | 6,674,237   |
| Charge for the financial year                | 39,409             | 2,696,780               | 2,736,189   |
| At 31 December 2019                          | 39,409             | 9,371,017               | 9,410,426   |
| <b>Net carrying amount</b>                   |                    |                         |             |
| At 31 December 2019                          | 118,227            | 206,092,847             | 206,211,074 |

### 16. INVENTORIES

|                | 31.12.2019<br>RM | 31.12.2018<br>RM | Restated<br>1.1.2018<br>RM |
|----------------|------------------|------------------|----------------------------|
| <b>Group</b>   |                  |                  |                            |
| <b>As cost</b> |                  |                  |                            |
| Finished goods | 4,360,875        | 8,929,586        | 9,736,278                  |
| Raw materials  | 114,905          | 134,381          | 54,092                     |
| Consumables    | 995,377          | 1,108,867        | 1,584,537                  |
|                | 5,471,157        | 10,172,834       | 11,374,907                 |
| <b>Company</b> |                  |                  |                            |
| <b>As cost</b> |                  |                  |                            |
| Consumables    | 254,666          | 662,338          | 506,739                    |



## Notes to the Financial Statements

### 31 December 2019

#### 17. BIOLOGICAL ASSETS

|                                       | 31.12.2019<br>RM | 31.12.2018<br>RM  | Restated<br>1.1.2018<br>RM |
|---------------------------------------|------------------|-------------------|----------------------------|
| <b>Group</b>                          |                  |                   |                            |
| <b>Non-current:</b>                   |                  |                   |                            |
| <b>At cost</b>                        |                  |                   |                            |
| - Nurseries                           | 645,900          | -                 | 611,626                    |
| <b>Current:</b>                       |                  |                   |                            |
| <b>At fair value</b>                  |                  |                   |                            |
| - Unharvested FFB                     | 4,601,052        | 4,649,041         | 4,718,525                  |
|                                       | 5,246,952        | 4,649,041         | 5,330,151                  |
| <b>Company</b>                        |                  |                   |                            |
| <b>Non-current:</b>                   |                  |                   |                            |
| <b>At cost</b>                        |                  |                   |                            |
| - Nurseries                           | 409,582          | -                 | -                          |
| <b>Current:</b>                       |                  |                   |                            |
| <b>At fair value</b>                  |                  |                   |                            |
| - Unharvested FFB                     | 1,963,821        | 2,356,066         | 1,710,712                  |
|                                       | 2,373,403        | 2,356,066         | 1,710,712                  |
|                                       |                  | <b>31.12.2019</b> | <b>Restated</b>            |
|                                       |                  | <b>RM</b>         | <b>31.12.2018</b>          |
|                                       |                  |                   | <b>RM</b>                  |
| <b>Group</b>                          |                  |                   |                            |
| <b>Nurseries, at cost</b>             |                  |                   |                            |
| At beginning of the financial year    |                  | -                 | 611,626                    |
| Disposal                              |                  | -                 | (611,626)                  |
| Additions                             |                  | 645,900           | -                          |
| At end of the financial year          |                  | 645,900           | -                          |
| <b>Unharvested FFB, at fair value</b> |                  |                   |                            |
| At beginning of the financial year    |                  | 4,649,041         | 4,718,525                  |
| Loss of control [Note 12(a)]          |                  | -                 | (1,596,881)                |
| Changes in fair value                 |                  | (47,989)          | 1,527,397                  |
| At end of the financial year          |                  | 4,601,052         | 4,649,041                  |
|                                       |                  | 5,246,952         | 4,649,041                  |

## Notes to the Financial Statements

31 December 2019

### 17. BIOLOGICAL ASSETS (cont'd)

|                                       | 31.12.2019<br>RM | Restated<br>31.12.2018<br>RM |
|---------------------------------------|------------------|------------------------------|
| <b>Company</b>                        |                  |                              |
| <b>Nurseries, at cost</b>             |                  |                              |
| At beginning of the financial year    | -                | -                            |
| Additions                             | 409,582          | -                            |
| At end of the financial year          | 409,582          | -                            |
| <b>Unharvested FFB, at fair value</b> |                  |                              |
| At beginning of the financial year    | 2,356,066        | 1,710,712                    |
| Changes in fair value                 | (392,245)        | 645,354                      |
| At end of the financial year          | 1,963,821        | 2,356,066                    |
|                                       | 2,373,403        | 2,356,066                    |

The biological assets have the following maturity periods:

|                             | 31.12.2019<br>RM | 31.12.2018<br>RM | Restated<br>1.1.2018<br>RM |
|-----------------------------|------------------|------------------|----------------------------|
| <b>Group</b>                |                  |                  |                            |
| <b>Current:</b>             |                  |                  |                            |
| Due not later than one year | 4,601,052        | 4,649,041        | 4,718,525                  |
| <b>Non-current:</b>         |                  |                  |                            |
| More than one year          | 645,900          | -                | 611,626                    |
| <b>Company</b>              |                  |                  |                            |
| <b>Current:</b>             |                  |                  |                            |
| Due not later than one year | 1,963,821        | 2,356,066        | 1,710,712                  |
| <b>Non-current:</b>         |                  |                  |                            |
| More than one year          | 409,582          | -                | -                          |

The biological assets of the Group and of the Company comprise of:

(i) FFB prior to harvest (unharvested FFB)

Represents the FFB of up to 15 days prior to harvest for sale or for use in the Group's and the Company's palm product operations. During the current financial year, the Group and the Company harvested approximately 298,849 metric tonnes ("MT") of FFB (31.12.2018: 318,016 MT) and 146,946 MT of FFB (31.12.2018: 126,804 MT) respectively. The quantity of unharvested FFB of the Group and of the Company as at 31 December 2019 included in the fair valuation of unharvested FFB was 7,420 MT (31.12.2018: 11,789 MT) and 3,197 MT (31.12.2018: 6,044 MT) respectively.

The Group and the Company attribute a fair value on the unharvested FFB at each statements of financial position date as required under MFRS 141 Agriculture. FFB are the produce of oil palm trees and are harvested continuously throughout the financial year. Each FFB take approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at cash point of the FFB production cycle will vary based on the cumulative oil content in each fruit.



# Notes to the Financial Statements

31 December 2019

## 17. BIOLOGICAL ASSETS (cont'd)

The biological assets of the Group and of the Company comprise of: (cont'd)

### (i) FFB prior to harvest (unharvested FFB) (cont'd)

In determining the fair value of unharvested FFB, management uses estimates of cash flows using the expected output method and observable market price of FFB. Management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, the FFB prior to 2 weeks before harvesting is excluded in the valuation as the fair values are considered negligible.

The fair value of the Group's and of the Company's unharvested FFB were within Level 3 of the fair value hierarchy.

There were no transfers between all three levels of the fair value hierarchy during the financial year.

#### Sensitivity analysis

The sensitivity analysis below indicates the approximate change in the Group's and the Company's fair value of FFB that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumptions and other variables remained constant.

|                        | Increase/(Decrease) in<br>price and volume<br>RM | Increase/(Decrease) in fair<br>value of biological assets<br>RM |
|------------------------|--|---|
| <b>Group</b>           |  |   |
| <b>31.12.2019</b>      |  |   |
| Selling price (RM)     | 10%  | 460,105   |
|                        | (10%)  | (460,105)   |
| Production volume (MT) | 10%  | 460,105   |
|                        | (10%)  | (460,105)   |
| <b>31.12.2018</b>      |  |   |
| Selling price (RM)     | 10%  | 196,382   |
|                        | (10%)  | (196,382)   |
| Production volume (MT) | 10%  | 196,382   |
|                        | (10%)  | (196,382)   |
| <b>Company</b>         |  |   |
| <b>31.12.2019</b>      |  |   |
| Selling price (RM)     | 10%  | 464,904   |
|                        | (10%)  | (464,904)   |
| Production volume (MT) | 10%  | 464,904   |
|                        | (10%)  | (464,904)   |
| <b>31.12.2018</b>      |  |   |
| Selling price (RM)     | 10%  | 235,607   |
|                        | (10%)  | (235,607)   |
| Production volume (MT) | 10%  | 235,607   |
|                        | (10%)  | (235,607)   |
| <b>1.1.2018</b>        |  |   |
| Selling price (RM)     | 10%  | 8,296   |
|                        | (10%)  | (339,945)   |
| Production volume (MT) | 10%  | (11,336)  |
|                        | (10%)  | (165,824)   |

### (ii) Nurseries

Nurseries represent oil palm seedlings for sale recognised at cost less accumulated impairment loss, if any. The fair value of these nurseries approximate to their costs as these seedlings are aged less than three months as at 31 December 2019.

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### 18. RECEIVABLES

|                               | Note  | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|-------------------------------|-------|------------------|------------------|----------------|
| <b>Group</b>                  |       |                  |                  |                |
| <u>Current</u>                |       |                  |                  |                |
| Trade receivables             | (i)   | 31,082,166       | 25,208,697       | 30,405,635     |
| Other receivables             |       | 3,011,495        | 2,695,817        | 2,501,744      |
| Deposits                      | (ii)  | 27,595,049       | 8,385,844        | 44,649,603     |
| Prepayments                   |       | 25,157           | 20,741           | 16,335         |
| Amounts due from associates   | (iii) | 8,940,524        | 10,694,478       | 9,029,477      |
|                               |       | 70,654,391       | 47,005,577       | 86,602,794     |
| <b>Company</b>                |       |                  |                  |                |
| <u>Non-current</u>            |       |                  |                  |                |
| Amount due from a subsidiary  | (iv)  | 20,300,977       | 18,030,855       | 16,439,083     |
| <u>Current</u>                |       |                  |                  |                |
| Trade receivables             | (i)   | 3,636,460        | 6,050,491        | 7,054,915      |
| Other receivables             |       | 1,632,809        | 1,422,142        | 1,185,289      |
| Deposits                      | (ii)  | 27,517,951       | 8,314,654        | 44,581,931     |
| Prepayments                   |       | 16,707           | 2,083            | 2,783          |
| Dividend receivables          |       | -                | 7,200,600        | -              |
| Amounts due from subsidiaries | (iv)  | 20,089,492       | 20,797,312       | 16,893,632     |
| Amounts due from associates   | (iii) | 3,297,232        | 2,203,663        | -              |
|                               |       | 56,190,651       | 45,990,945       | 69,718,550     |
|                               |       | 76,491,628       | 64,021,800       | 86,157,633     |

(i) Trade receivables

Credit term of trade receivables granted by the Group and the Company is 30 days (31.12.2018: 30 days, 1.1.2018: 30 days).

(ii) Deposits

Included in both the Group's and the Company's deposits are:

- (a) RM7,359,840 (31.12.2018: RM7,359,840, 1.1.2018: RM7,565,110) paid to Pengarah Tanah dan Galian Pahang and Pentadbir Tanah Daerah Pekan for the alienation of 1,132.2 acres (31.12.2018: 1,132.2 acres, 1.1.2018: 1,163.8 acres) of land;
- (b) RM Nil (31.12.2018: RM Nil, 1.1.2018: RM36,223,326) paid for the proposed purchase of a new estate. The purchase of the said estate was completed in 2018; and
- (c) RM18,671,800 paid to Harn Len Corporation Berhad during the financial year for the purchase of oil palm plantation land measured at 5,249.7 acres with an oil palm mill.

(iii) Amounts due from associates

The amounts due from associates are trade in nature which are collectible within the normal credit period.

(iv) Amounts due from subsidiaries

The amounts due from subsidiaries are advances, which are unsecured, free of interest and refundable on demand except for RM20,300,977 (31.12.2018: RM18,030,855, 1.1.2018: RM16,439,083), which is collectible in 2 to 4 years (31.12.2018: 2 to 4 years, 1.1.2018: 2 to 4 years) bearing an average interest of approximately 3.01% per annum (31.12.2018: 3.58%, 1.1.2018: 4.05%) .



## Notes to the Financial Statements

### 31 December 2019

#### 18. RECEIVABLES (cont'd)

|  | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|--|------------------|------------------|----------------|
| <b>Company</b>                                 |                  |                  |                |
| <b>Non-current</b>                             |                  |                  |                |
| - later than 1 year and not later than 4 years | 21,656,660       | 19,354,343       | 17,372,779     |
| <b>Current</b>                                 |                  |                  |                |
| - not later than 1 year                        | 20,884,228       | 21,526,902       | 17,675,164     |
|  | 42,540,888       | 40,881,245       | 35,047,943     |
| <b>Less accretion:</b>                         |                  |                  |                |
| At January                                     | 2,053,078        | 1,715,228        | 2,021,070      |
| Initial recognition                            | 826,931          | 1,119,382        | 592,399        |
| Credited to profit or loss                     | (729,590)        | (781,532)        | (898,241)      |
| At December                                    | 2,150,419        | 2,053,078        | 1,715,228      |
|  | 40,390,469       | 38,828,167       | 33,332,715     |
| <b>Present value:</b>                          |                  |                  |                |
| - not later than 1 year                        | 20,089,492       | 20,797,312       | 16,893,632     |
| - later than 1 year and not later than 4 years | 20,300,977       | 18,030,855       | 16,439,083     |
|  | 40,390,469       | 38,828,167       | 33,332,715     |

#### 19. SHORT-TERM INVESTMENT

|   | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|---|------------------|------------------|----------------|
| <b>Group</b>  |                  |                  |                |
| Investment in unit trust fund in Malaysia<br>at fair value through profit or loss | -                | 3,466,767        | 3,349,406      |

The investment represents investments in highly liquid money market instruments and deposits with financial institutions in Malaysia. This short-term investment is subject to insignificant risk of changes in value. The distribution income from this investment is tax exempted.

#### 20. DEPOSITS, CASH AND BANK BALANCES

|                                | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|--------------------------------|------------------|------------------|----------------|
| <b>Group</b>                   |                  |                  |                |
| Deposits with licensed banks   | 18,338,152       | 14,385,051       | 22,361,544     |
| Deposit with other corporation | -                | -                | 2,000,000      |
| Cash and bank balances         | 27,066,469       | 20,237,061       | 117,453,882    |
|                                | 45,404,621       | 34,622,112       | 141,815,426    |
| <b>Company</b>                 |                  |                  |                |
| Deposits with licensed banks   | 12,980,000       | 6,000,000        | -              |
| Cash and bank balances         | 306,745          | 3,652,486        | 80,706,420     |
|                                | 13,286,745       | 9,652,486        | 80,706,420     |



## Notes to the Financial Statements

31 December 2019

### 20. DEPOSITS, CASH AND BANK BALANCES (cont'd)

The effective weighted average interest/profit rates (per annum) of the deposits at the end of the financial year were as follows:

|                                | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|--------------------------------|------------------|------------------|----------------|
| <b>Group</b>                   |                  |                  |                |
| Deposit with other corporation | -                | -                | 3.30%          |
| Deposits with licensed banks   | 2.98%            | 3.16%            | 2.99%          |
| <b>Company</b>                 |                  |                  |                |
| Deposits with licensed banks   | 3.30%            | 3.37%            | -              |

As at 31 December 2019, the deposits of the Group and of the Company have maturity periods between 30 to 90 days (31.2.2018: 30 to 90 days, 1.1.2018: 30 to 90 days).

### 21. NON-CURRENT ASSET HELD FOR SALE

|  | <b>Leasehold land</b> |                  |
|--|-----------------------|------------------|
|  | 31.12.2019<br>RM      | 31.12.2018<br>RM |
| <b>Group/Company</b>                         |                       |                  |
| <b>Valuation</b>                             |                       |                  |
| At 1 January                                 | 22,412,539            | 22,412,539       |
| Transferred to investment property (Note 11) | (22,412,539)          | -                |
| At 31 December                               | -                     | 22,412,539       |

In the previous financial year, the non-current asset held for sale of the Group and of the Company was in respect of a leasehold land measuring at 8.8 hectares located at Bandar Indera Mahkota, Kuantan, Pahang Darul Makmur ("leasehold land"). The leasehold land was presented as a non-current asset held for sale following the commitments of the Group's and of the Company's management to a plan to sell the leasehold land and that efforts to sell the leasehold land had commenced. However, such plan had ceased as at 31 December 2019.

### 22. SHARE CAPITAL

|                              | <b>Group and Company</b> |                     |                  |                  |
|------------------------------|--------------------------|---------------------|------------------|------------------|
|                              | 31.12.2019<br>Units      | 31.12.2018<br>Units | 31.12.2019<br>RM | 31.12.2018<br>RM |
| <b>Ordinary shares</b>       |                          |                     |                  |                  |
| <b>Issued and fully paid</b> |                          |                     |                  |                  |
| At beginning of the year     | 593,837,985              | 141,390,000         | 197,945,995      | 141,390,000      |
| Bonus issue                  | -                        | 56,555,995          | -                | 56,555,995       |
|                              | 593,837,985              | 197,945,995         | 197,945,995      | 197,945,995      |
| Subdivision                  | -                        | 395,891,990         | -                | -                |
| At end of the year           | 593,837,985              | 593,837,985         | 197,945,995      | 197,945,995      |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

On 16 August 2018, the Company issued a bonus issue of 56,555,995 ordinary shares and upon completion of the bonus issue, the enlarged share capital was subsequently subdivided by way of 1 ordinary share to 3 ordinary shares from 197,945,995 shares to 593,837,985 shares after the subdivision.



## Notes to the Financial Statements

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#### 23. SHARE PREMIUM

|                                    | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|------------------------------------|------------------|------------------|----------------|
| <b>Group</b>                       |                  |                  |                |
| At beginning of the financial year | -                | 46,852,783       | 46,852,783     |
| Bonus issue                        | -                | (46,852,783)     | -              |
| At end of the financial year       | -                | -                | 46,852,783     |
| <b>Company</b>                     |                  |                  |                |
| At beginning of the financial year | -                | 44,947,244       | 44,947,244     |
| Bonus issue                        | -                | (44,947,244)     | -              |
| At end of the financial year       | -                | -                | 44,947,244     |

#### 24. DEFERRED TAX LIABILITIES

|                                       | 31.12.2019<br>RM | 31.12.2018<br>RM |
|---------------------------------------|------------------|------------------|
| <b>Group</b>                          |                  |                  |
| At beginning of the financial year    | 83,127,468       | 115,535,168      |
| Loss of control [Note 12(a)]          | -                | (32,736,000)     |
| Recognised in profit or loss (Note 7) | 4,058,845        | 328,300          |
| At end of the financial year          | 87,186,313       | 83,127,468       |
| <b>Company</b>                        |                  |                  |
| At beginning of the financial year    | 40,575,000       | 39,222,000       |
| Recognised in profit or loss (Note 7) | 4,804,576        | 1,353,000        |
| At end of the financial year          | 45,379,576       | 40,575,000       |

Presented after appropriate offsetting:

|                          | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|--------------------------|------------------|------------------|----------------|
| <b>Group</b>             |                  |                  |                |
| Deferred tax asset       | -                | (4,000)          | -              |
| Deferred tax liabilities | 87,186,313       | 83,131,468       | 115,535,168    |
|                          | 87,186,313       | 83,127,468       | 115,535,168    |

## Notes to the Financial Statements

31 December 2019

### 24. DEFERRED TAX LIABILITIES (cont'd)

This is in respect of estimated deferred tax (asset) and liabilities arising from temporary differences as follows:

|                                 | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|---------------------------------|------------------|------------------|----------------|
| <b>Group</b>                    |                  |                  |                |
| <b>Deferred tax asset</b>       |                  |                  |                |
| - unabsorbed business losses    | -                | (4,000)          | -              |
| <b>Deferred tax liabilities</b> |                  |                  |                |
| - property, plant and equipment | 82,324,132       | 83,044,468       | 115,448,168    |
| - others                        | 4,862,181        | 87,000           | 87,000         |
|                                 | 87,186,313       | 83,131,468       | 115,535,168    |
|                                 | 87,186,313       | 83,127,468       | 115,535,168    |
| <b>Company</b>                  |                  |                  |                |
| <b>Deferred tax liabilities</b> |                  |                  |                |
| - property, plant and equipment | 41,149,513       | 40,575,000       | 39,222,000     |
| - others                        | 4,230,063        | -                | -              |
|                                 | 45,379,576       | 40,575,000       | 39,222,000     |

### 25. LEASE LIABILITIES

|  | Group<br>RM  | Company<br>RM |
|--|--------------|---------------|
| <b>2019</b>                                    |              |               |
| Current  | 253,002      | 52,516        |
| Non-current                                    | 16,439,951   | 68,541        |
| Total lease liabilities                        | 16,692,953   | 121,057       |
| Minimum lease payments                         |              |               |
| - not later than 1 year                        | 952,014      | 57,600        |
| - later than 1 year and not later than 5 years | 3,472,131    | 72,000        |
| - More than 5 years                            | 36,384,688   | -             |
|  | 40,808,833   | 129,600       |
| Less: unexpired finance charges                | (24,115,880) | (8,543)       |
|  | 16,692,953   | 121,057       |
| Present value of lease liabilities             |              |               |
| - not later than 1 year                        | 253,002      | 52,516        |
| - later than 1 year and not later than 5 years | 775,593      | 68,541        |
| - More than 5 years                            | 15,664,358   | -             |
|  | 16,692,953   | 121,057       |



## Notes to the Financial Statements

### 31 December 2019

#### 25. LEASE LIABILITIES (cont'd)

The movement of lease liabilities during the financial year are as follows:

|                              | Group<br>RM | Company<br>RM |
|------------------------------|-------------|---------------|
| At 1 January 2019            | -           | -             |
| Effect on MFRS 16 adoption   | 16,910,261  | 157,636       |
| Accretion of interest charge | 705,906     | 6,621         |
| Payment of:                  |             |               |
| - principal                  | (217,308)   | (36,579)      |
| - interest                   | (705,906)   | (6,621)       |
| At 31 December 2019          | 16,692,953  | 121,057       |

Interest rate per annum as at the reporting date for the lease liabilities are as follows:

|                   | Group<br>RM | Company<br>RM |
|-------------------|-------------|---------------|
| <b>2019</b>       |             |               |
| Lease liabilities | 4.20%       | 4.20%         |

#### 26. PAYABLES

|                                  | Note  | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|----------------------------------|-------|------------------|------------------|----------------|
| <b>Group</b>                     |       |                  |                  |                |
| Trade payables                   | (i)   | 14,702,524       | 16,731,397       | 20,541,659     |
| Other payables                   |       | 3,858,452        | 4,699,747        | 8,887,092      |
| Deposits                         |       | 1,529,380        | 27,880           | 107,871        |
| Accruals                         |       | 6,356,512        | 5,953,027        | 8,331,762      |
| Amounts due to associates        | (ii)  | 204,529          | 221,184          | 411,377        |
| Amounts due to related companies | (iii) | 6,225,806        | -                | -              |
| Dividend payable                 |       | -                | 5,938,380        | -              |
|                                  |       | 32,877,203       | 33,571,615       | 38,279,761     |
| <b>Company</b>                   |       |                  |                  |                |
| Trade payables                   | (i)   | 1,030,264        | 1,644,899        | 952,976        |
| Other payables                   |       | 318,969          | 512,614          | 4,445,781      |
| Deposits                         |       | 1,511,380        | 9,880            | 60,360         |
| Accruals                         |       | 2,690,450        | 2,327,545        | 2,600,655      |
| Amounts due to subsidiaries      | (iv)  | -                | 997,713          | 85,346         |
| Amounts due to associates        | (ii)  | 6,443            | 6,375            | -              |
| Amounts due to related companies | (iii) | 2,413,466        | -                | -              |
| Dividend payable                 |       | -                | 5,938,380        | -              |
|                                  |       | 7,970,972        | 11,437,406       | 8,145,118      |

# Notes to the Financial Statements

31 December 2019

## 26. PAYABLES (cont'd)

(i) Trade payables

The Group's and the Company's normal trade credit terms range from 30 to 90 days (31.12.2018: 30 to 90 days, 1.1.2018: 30 to 90 days). Other credit terms are assessed on a case-by-case basis.

(ii) Amounts due to associates

The amounts due to associate are non-trade in nature, unsecured, interest-free, repayable on demand and are expected to be settled in cash.

(iii) Amounts due to related companies

The amounts due to related companies are non-trade in nature, unsecured, interest-free, repayable on demand and are expected to be settled in cash.

(iv) Amounts due to subsidiaries

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free, repayable on demand and are expected to be settled in cash.

## 27. HIRE PURCHASE CREDITOR

|   | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|---|------------------|------------------|----------------|
| <b>Group</b>                                  |                  |                  |                |
| <i>Payable within one year</i>                |                  |                  |                |
| Future minimum lease payments                 | -                | -                | 25,120         |
| Less: Future finance charges                  | -                | -                | (1,787)        |
| Total present value of minimum lease payments | -                | -                | 23,333         |

The Group's effective interest rate on the hire purchase creditor for the financial year ended 31 December 2017 was at 2.55% per annum.

## 28. RELATED PARTIES

### Identify of related parties

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

Other related parties and their relationship are as follows:

### **Related parties**

- PGC Management Services Sdn. Bhd.
- Kilang Sawira Makmur Sdn. Bhd.
- Rompin Palm Oil Mill Sdn. Bhd. ("RPOM")
- Endau Palm Oil Mill Sdn. Bhd. ("EPOM")
- Prosper Trading Sdn. Bhd. ("PTSB")
- Prosper Palm Oil Products Marketing Sdn. Bhd. ("PPOP")
- Wujud Wawasan Sdn. Bhd.
- Koperasi Serbausaha Makmur Berhad
- LKPP Corporation Sendirian Berhad
- Merchong Palm Oil Mill Sdn. Bhd.

### **Relationship**

- Associate of Kilang Kosfarm Sdn. Bhd.
- Associate of Kilang Kosfarm Sdn. Bhd.
- Prosper Palm Oil Mill Sdn. Berhad ("PPOM") holds 30% equity in RPOM
- PTSB holds 32% equity in EPOM
- Substantial shareholder of the Company
- PPOM holds 30% equity interest in PPOP
- 51% subsidiary of Kilang Kosfarm Sdn. Bhd.
- Shareholder of Wujud Wawasan Sdn. Bhd.
- Shareholder of the Company
- Common Director



# Notes to the Financial Statements

31 December 2019

## 28. RELATED PARTIES (cont'd)

### Related party transactions

The Group and the Company have related party relationships with its subsidiaries, associates, related companies, Directors and key management personnel. Related companies refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies. The related party balances are shown in Notes 18 and 26 respectively. The related party transactions of the Group and of the Company are disclosed as follows:

|   |             |            | Company    |            |
|---|-------------|------------|------------|------------|
|   | 2019        | 2018       | 2019       | 2018       |
|   | RM          | RM         | RM         | RM         |
| <b>Transactions with subsidiaries:</b>            |             |            |            |            |
| <u>Dividend income</u>                            |             |            |            |            |
| - Dawn Oil Palm Plantations Sdn. Bhd.             | 3,780,315   |            | 9,000,750  |            |
| - B.S. Oil Palm Plantations Sdn. Bhd.             | 4,680,390   |            | 11,700,975 |            |
| - Far East Delima Plantations Sdn. Bhd.           | 800,000     |            | 2,800,000  |            |
| - Kilang Kosfarm Sdn. Bhd.                        | 1,530,000   |            | 1,530,000  |            |
| - Kampong Aur Oil Palm Company (Sdn.) Berhad      | -           |            | 8,090,296  |            |
| <u>Sale of FFB</u>                                |             |            |            |            |
| - Kilang Kosfarm Sdn. Bhd.                        | 13,829,614  |            | 14,669,911 |            |
| <hr/>   |             |            |            |            |
|   | Group       |            | Company    |            |
|   | 2019        | 2018       | 2019       | 2018       |
|   | RM          | RM         | RM         | RM         |
| <b>Transactions with associates:</b>              |             |            |            |            |
| <u>Dividend income</u>                            |             |            |            |            |
| - PPOM  | -           | -          | 2,100,000  | 3,000,000  |
| - Kampong Aur Oil Palm Company (Sdn.) Berhad      | -           | -          | 8,410,930  | -          |
| <u>Sale of FFB</u>                                |             |            |            |            |
| - PPOM  | 3,530,773   | -          | 3,530,773  | -          |
| <u>Purchase of FFB</u>                            |             |            |            |            |
| - PPOM  | 57,957      | 21,258     | -          | -          |
| <u>Sale of crude palm oil and palm kernel</u>     |             |            |            |            |
| - Future Prelude Sdn. Bhd.                        | 134,586,444 | 98,462,487 | -          | -          |
| - PPOM  | 6,393,238   | 7,382,442  | -          | -          |
| <u>Purchase of crude palm oil and palm kernel</u> |             |            |            |            |
| - PPOM  | 6,894,144   | 2,589,192  | -          | -          |
| <u>Management fee payable to</u>                  |             |            |            |            |
| - PGC Management Services Sdn. Bhd.               | 2,521,400   | 3,289,300  | -          | -          |
| <hr/>   |             |            |            |            |
| <b>Transactions with related parties:</b>         |             |            |            |            |
| <u>Sale of FFB</u>                                |             |            |            |            |
| - RPOM  | 13,787,894  | 12,995,370 | -          | -          |
| - LKPP Corporation Sendirian Berhad               | 1,055,203   | 1,047,107  | 1,055,203  | 1,047,107  |
| - Kilang Sawira Makmur Sdn. Bhd.                  | 16,305,524  | 36,177,863 | 16,305,524 | 19,139,911 |
| - EPOM  | 2,350,906   | 12,196,364 | -          | -          |
| - Merchong Palm Oil Mill Sdn. Bhd.                | 11,892,796  | -          | -          | -          |

## Notes to the Financial Statements

31 December 2019

### 28. RELATED PARTIES (cont'd)

#### Related party transactions (cont'd)

|  | Group       |             | Company    |            |
|--|-------------|-------------|------------|------------|
|  | 2019<br>RM  | 2018<br>RM  | 2019<br>RM | 2018<br>RM |
| <b>Transactions with related parties: (cont'd)</b> |             |             |            |            |
| <u>Purchase of FFB</u>                             |             |             |            |            |
| - Koperasi Serbausaha Makmur Berhad                | 102,302,038 | 108,083,020 | -          | -          |
| <u>Sale of crude palm oil and palm kernel</u>      |             |             |            |            |
| - PTSB   | 30,694,525  | 45,476,890  | -          | -          |
| - PPOPM  | 4,026,453   | 18,146,174  | -          | -          |
| - EPOM   | 11,235,966  | 5,944,396   | -          | -          |
| - RPOM   | 7,093,001   | 10,716,972  | -          | -          |
| - Kilang Sawira Makmur Sdn. Bhd.                   | 1,308,735   | 12,468,710  | -          | -          |
| <u>Purchase of crude palm oil and palm kernel</u>  |             |             |            |            |
| - EPOM   | 29,681,042  | 15,200,410  | -          | -          |
| - RPOM   | 8,133,552   | 7,211,413   | -          | -          |
| - Kilang Sawira Makmur Sdn. Bhd.                   | 4,534,506   | 1,386,012   | -          | -          |
| <u>Purchase of fertilizer</u>                      |             |             |            |            |
| - PTSB   | -           | 5,410,950   | -          | 1,807,715  |

#### Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include all the Directors and certain members of senior management of the Group and of the Company.

Remuneration paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 6 to the financial statements.

### 29. SEGMENTAL INFORMATION

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





## Notes to the Financial Statements

### 31 December 2019

#### 30. CAPITAL COMMITMENTS

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

|   | Group       |            | Company     |            |
|---|-------------|------------|-------------|------------|
|   | 2019<br>RM  | 2018<br>RM | 2019<br>RM  | 2018<br>RM |
| <b>Authorised by the Directors and not contracted for</b> | 50,311,688  | 50,163,427 | 38,212,147  | 34,950,773 |
| <b>Analysed as follows:</b>                               |             |            |             |            |
| - property, plant and equipment                           | 12,427,308  | 12,586,882 | 2,606,208   | 2,656,950  |
| - oil palm plantation development                         | 12,934,380  | 12,176,545 | 10,655,939  | 6,893,823  |
| - acquisition of land                                     | 24,950,000  | 25,400,000 | 24,950,000  | 25,400,000 |
|   | 50,311,688  | 50,163,427 | 38,212,147  | 34,950,773 |
| <b>Authorised by the Directors and contracted for</b>     | 165,221,337 | 1,897,363  | 164,968,510 | 827,463    |
| <b>Analysed as follows:</b>                               |             |            |             |            |
| - property, plant and equipment                           | 529,977     | 1,897,363  | 277,150     | 827,463    |
| - acquisition of land                                     | 164,691,360 | -          | 164,691,360 | -          |
|   | 165,221,337 | 1,897,363  | 164,968,510 | 827,463    |

#### 31. FINANCIAL INSTRUMENTS

##### Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

|  | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|--|------------------|------------------|----------------|
| <b>Group</b>   |                  |                  |                |
| <b>Financial assets</b>                              |                  |                  |                |
| <u>Amortised cost</u>                                |                  |                  |                |
| Trade and other receivables (excluding prepayments)  | 61,688,710       | 36,290,358       | 77,556,982     |
| Amounts due from associates                          | 8,940,524        | 10,694,478       | 9,029,477      |
| Deposits, cash and bank balances                     | 45,404,621       | 34,622,112       | 141,815,426    |
|  | 116,033,855      | 81,606,948       | 228,401,885    |
| <u>Fair value through profit or loss</u>             |                  |                  |                |
| Short-term investment                                | -                | 3,466,767        | 3,349,406      |
| <u>Fair value through other comprehensive income</u> |                  |                  |                |
| Other financial asset                                | 730,659          | 730,659          | 724,262        |
| Total financial assets                               | 116,764,514      | 85,804,374       | 232,475,553    |

## Notes to the Financial Statements

31 December 2019

### 31. FINANCIAL INSTRUMENTS (cont'd)

#### Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows: (cont'd)

|  | 31.12.2019<br>RM  | 31.12.2018<br>RM  | 1.1.2018<br>RM     |
|--|-------------------|-------------------|--------------------|
| <b>Group</b>   |                   |                   |                    |
| <b>Financial liabilities</b>                         |                   |                   |                    |
| <u>Amortised cost</u>                                |                   |                   |                    |
| Trade and other payables (excluding accruals)        | 20,090,356        | 27,397,404        | 29,536,622         |
| Amounts due to associates                            | 204,529           | 221,184           | 411,377            |
| Amounts due to related companies                     | 6,225,806         | -                 | -                  |
| Hire purchase creditor                               | -                 | -                 | 23,333             |
| <b>Total financial liabilities</b>                   | <b>26,520,691</b> | <b>27,618,588</b> | <b>29,971,332</b>  |
| <b>Company</b>                                       |                   |                   |                    |
| <b>Financial assets</b>                              |                   |                   |                    |
| <u>Amortised cost</u>                                |                   |                   |                    |
| Trade and other receivables (excluding prepayments)  | 32,787,220        | 15,787,287        | 52,822,135         |
| Amounts due from subsidiaries                        | 40,390,469        | 38,828,167        | 33,332,715         |
| Amounts due from associates                          | 3,297,232         | 2,203,663         | -                  |
| Dividends receivables                                | -                 | 7,200,600         | -                  |
| Deposits, cash and bank balances                     | 13,286,745        | 9,652,486         | 80,706,420         |
|  | 89,761,666        | 73,672,203        | 166,861,270        |
| <u>Fair value through other comprehensive income</u> |                   |                   |                    |
| Other financial asset                                | 730,659           | 730,659           | 724,262            |
| <b>Total financial assets</b>                        | <b>90,492,325</b> | <b>74,402,862</b> | <b>167,585,532</b> |
| <b>Financial liabilities</b>                         |                   |                   |                    |
| <u>Amortised cost</u>                                |                   |                   |                    |
| Trade and other payables (excluding accruals)        | 2,860,613         | 8,105,773         | 5,459,117          |
| Amounts due to subsidiaries                          | -                 | 997,713           | 85,346             |
| Amounts due to associates                            | 6,443             | 6,375             | -                  |
| Amounts due to related companies                     | 2,413,466         | -                 | -                  |
| <b>Total financial liabilities</b>                   | <b>5,280,522</b>  | <b>9,109,861</b>  | <b>5,544,463</b>   |

#### Financial Risk Management Objectives and Policies

The Group's and the Company's activities are exposed to a variety of financial risks which include credit risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.



# Notes to the Financial Statements

## 31 December 2019

### 31. FINANCIAL INSTRUMENTS (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its receivables (which consist of trade and other receivables, amounts due from associates and amounts due from related companies). For other financial assets (including cash and bank balances and fixed deposits with licensed banks), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. There are no significant changes as compared to prior periods.

##### Trade receivables

##### Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

There are no significant changes as compared to previous financial year.

##### Exposure to credit risk, credit quality and collateral

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

##### Concentration of credit risk

The Group and the Company determine concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at 31 December 2019, the Group and the Company have significant concentration of credit risk arising from the amount owing by 6 customer (31.12.2018: 6 customers, 1.1.2018: 7 customers) constituting 71% (31.12.2018: 73%, 1.1.2018: 74%) and 2 customers (31.12.2018: 2 customers, 1.1.2018: 2 customers) constituting 66% (31.12.2018: 76%, 1.1.2018: 65%) of gross trade receivables of the Group and of the Company respectively.

##### Recognition and measurement of impairment loss

The Group and the Company have applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECL. The Group and the Company determine the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Group and the Company will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group and the Company will also commence legal proceeding against the customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

## Notes to the Financial Statements

31 December 2019

### 31. FINANCIAL INSTRUMENTS (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (a) Credit risk (cont'd)

##### Trade receivables (cont'd)

##### Recognition and measurement of impairment loss (cont'd)

Loss rates are based on actual credit loss experienced over the prior years. The Group and the Company also consider differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's and the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group and the Company believe that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at reporting date which are grouped together as they are expected to have similar risk nature.

|                            | 31.12.2019<br>RM | 31.12.2018<br>RM | 1.1.2018<br>RM |
|----------------------------|------------------|------------------|----------------|
| <b>Group</b>               |                  |                  |                |
| Not past due nor impaired  | 30,895,092       | 25,208,697       | 30,405,635     |
| Past due but not impaired: |                  |                  |                |
| Less than 30 days          | 95,581           | -                | -              |
| 31 days to 60 days         | 91,493           | -                | -              |
|                            | 187,074          | -                | -              |
|                            | 31,082,166       | 25,208,697       | 30,405,635     |
| <b>Company</b>             |                  |                  |                |
| Not past due nor impaired  | 3,449,386        | 6,050,491        | 7,054,915      |
| Past due:                  |                  |                  |                |
| Less than 30 days          | 95,581           | -                | -              |
| 31 days to 60 days         | 91,493           | -                | -              |
|                            | 187,074          | -                | -              |
|                            | 3,636,460        | 6,050,491        | 7,054,915      |

##### *Receivables that are past due not impaired*

The Group has not provided for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable which are not past due for more than 365 days.

##### **Other receivables and deposits**

Credit risk on other receivables and deposits are mainly arising from deposits paid for leasehold lands and a mill. These deposits paid for leasehold lands and mill will be capitalised in property, plant and equipment upon transfer of land titles. The Group and the Company manage the credit risk together with the terms of the purchase agreement and other supplementary arrangements.

Other receivables and deposits are neither past due nor impaired. The Group and the Company believe that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.



# Notes to the Financial Statements

31 December 2019

## 31. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (a) Credit risk (cont'd)

##### Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

##### Intercompany loans and advances

###### Risk management objectives, policies and processes for managing the risk

###### *Trade*

Intercompany receivable (trade) represents amounts outstanding arising from sales of goods.

In arriving at loss allowance, the same assumptions as trade receivables have been applied. As a result, management was of the view that there is no indication of impairment loss in respect of amounts due from associates, related companies and subsidiaries as at the reporting date.

###### *Non-trade*

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of these subsidiaries to repay the loans and advances on an individual basis.

###### Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

###### Recognition and measurement of impairment loss

Intercompany loans with Company are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date.

Generally, the Group and the Company consider loans and advances to subsidiaries to have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Group and the Company consider a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Group and to the Company in full given insufficient highly liquid resources when the loan is demanded.

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

As at the year end, there were no indications of impairment loss in respect of amounts due from associates, related companies and subsidiaries (non-trade).

## Notes to the Financial Statements

31 December 2019

### 31. FINANCIAL INSTRUMENTS (cont'd)

#### Financial Risk Management Objectives and Policies (cont'd)

##### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from various payables and lease liabilities.

The Group and the Company actively manage its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

The table below summarises the maturity profiles of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted cash flows:

|                                     | Carrying<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2<br>years<br>RM | 2 to 5<br>years<br>RM |
|-------------------------------------|--------------------------|---------------------------------|--|-----------------------|-----------------------|
| <b>Group</b>                        |                          |                                 |  |                       |                       |
| <b>31.12.2019</b>                   |                          |                                 |  |                       |                       |
| Trade and other payables            | 18,560,976               | 18,560,976                      | 18,560,976                             | -                     | -                     |
| Deposits                            | 1,529,380                | 1,529,380                       | 1,529,380                              | -                     | -                     |
| Accruals                            | 6,356,512                | 6,356,512                       | 6,356,512                              | -                     | -                     |
| Amounts due to associates           | 204,529                  | 204,529                         | 204,529                                | -                     | -                     |
| Amounts due to<br>related companies | 6,225,806                | 6,225,806                       | 6,225,806                              | -                     | -                     |
| Lease liabilities                   | 16,692,953               | 40,808,833                      | 952,014                                | 3,472,131             | 36,384,688            |
|                                     | 49,570,156               | 73,686,036                      | 33,829,217                             | 3,472,131             | 36,384,688            |
| <b>31.12.2018</b>                   |                          |                                 |  |                       |                       |
| Trade and other payables            | 27,369,524               | 27,369,524                      | 27,369,524                             | -                     | -                     |
| Deposits                            | 27,880                   | 27,880                          | 27,880                                 | -                     | -                     |
| Amounts due to associates           | 221,184                  | 221,184                         | 221,184                                | -                     | -                     |
| Accruals                            | 5,953,027                | 5,953,027                       | 5,953,027                              | -                     | -                     |
|                                     | 33,571,615               | 33,571,615                      | 33,571,615                             | -                     | -                     |
| <b>1.1.2018</b>                     |                          |                                 |  |                       |                       |
| Trade and other payables            | 29,428,751               | 29,428,751                      | 29,428,751                             | -                     | -                     |
| Deposits                            | 107,871                  | 107,871                         | 107,871                                | -                     | -                     |
| Amounts due to associates           | 411,377                  | 411,377                         | 411,377                                | -                     | -                     |
| Accruals                            | 8,331,762                | 8,331,762                       | 8,331,762                              | -                     | -                     |
| Hire purchase creditor              | 23,333                   | 25,120                          | 25,120                                 | -                     | -                     |
|                                     | 38,303,094               | 38,304,881                      | 38,304,881                             | -                     | -                     |



# Notes to the Financial Statements

31 December 2019

## 31. FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

#### (b) Liquidity risk (cont'd)

The table below summarises the maturity profiles of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted cash flows: (cont'd)

|                                     | Carrying<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2<br>years<br>RM | 2 to 5<br>years<br>RM |
|-------------------------------------|--------------------------|---------------------------------|--|-----------------------|-----------------------|
| <b>Company</b>                      |                          |                                 |  |                       |                       |
| <b>31.12.2019</b>                   |                          |                                 |  |                       |                       |
| Trade and other payables            | 1,349,233                | 1,349,233                       | 1,349,233                              | -                     | -                     |
| Deposits                            | 1,511,380                | 1,511,380                       | 1,511,380                              | -                     | -                     |
| Accruals                            | 2,690,450                | 2,690,450                       | 2,690,450                              | -                     | -                     |
| Amounts due to associates           | 6,443                    | 6,443                           | 6,443                                  | -                     | -                     |
| Amounts due to<br>related companies | 2,413,466                | 2,413,466                       | 2,413,466                              | -                     | -                     |
| Lease liabilities                   | 121,057                  | 129,600                         | 57,600                                 | 72,000                | -                     |
|                                     | 8,092,029                | 8,100,572                       | 8,028,572                              | 72,000                | -                     |
| <b>31.12.2018</b>                   |                          |                                 |  |                       |                       |
| Trade and other payables            | 8,095,893                | 8,095,893                       | 2,157,513                              | -                     | -                     |
| Deposits                            | 9,880                    | 9,880                           | 9,880                                  | -                     | -                     |
| Amounts due to subsidiaries         | 997,713                  | 997,713                         | 997,713                                | -                     | -                     |
| Amounts due to associate            | 6,375                    | 6,375                           | 6,375                                  | -                     | -                     |
| Accruals                            | 2,327,545                | 2,327,545                       | 2,327,545                              | -                     | -                     |
|                                     | 11,437,406               | 11,437,406                      | 7,646,659                              | -                     | -                     |
| <b>1.1.2018</b>                     |                          |                                 |  |                       |                       |
| Trade and other payables            | 5,398,757                | 5,398,757                       | 5,398,757                              | -                     | -                     |
| Deposits                            | 60,360                   | 60,360                          | 60,360                                 | -                     | -                     |
| Amounts due to subsidiaries         | 85,346                   | 85,346                          | 85,346                                 | -                     | -                     |
| Accruals                            | 2,600,655                | 2,600,655                       | 2,600,655                              | -                     | -                     |
|                                     | 8,145,118                | 8,145,118                       | 8,145,118                              | -                     | -                     |

## 32. FAIR VALUE INFORMATION

### Assets and liabilities carried at fair value

The fair value measurement hierarchies used to measure non-financial assets at fair values in the statements of financial position are disclosed in Notes 11, 14 and 17.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.



## Notes to the Financial Statements

31 December 2019

### 32. FAIR VALUE INFORMATION (cont'd)

#### Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of short-term receivables and payables and cash and cash equivalents approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of amount due from a subsidiary approximates its fair value as the market interest rate on initial recognition is approximately the same as the current market interest rate.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

### 33. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern. The Group and the Company monitor and maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's and the Company's approaches to capital management during the financial year.

The Group and the Company are in compliance with all externally imposed capital requirements. As at the reporting date, the Group and the Company do not have any borrowings.

### 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 29 April 2019, the Company entered into a Sale and Purchase Agreement with Harn Len Corporation Berhad to acquire 2,124.5 hectares (equivalent to 5,249.7 acres) of an oil palm plantation land and a palm oil mill located in Mukim Keratong, District of Rompin, Pahang for a total purchase consideration of RM182,990,400.

The approval in principle for the transfer of the said land had been obtained from Pahang State Executive Council Members on 4 March 2020. As at to date, the transaction has not been completed as the conditions precedent has not been fulfilled yet.

### 35. PRIOR YEAR ADJUSTMENTS

The external auditors had conducted a review of the opening balances in accordance with the International Standards on Auditing 510 *Initial Audit Engagements - Opening Balances*. Based on the findings of this review and the re-assessment by the Directors, the prior years' financial information had been restated to reflect corrections as follows:

- (a) Over statement of share of profit of associates;
- (b) Reclassification of land held for disposal, which was previously included under non-current assets to its separate category of non-current asset held for sale in line with in line with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (c) Change of subsequent measurement of other financial asset from cost to fair value through other comprehensive income.



## Notes to the Financial Statements

### 31 December 2019

#### 35. PRIOR YEAR ADJUSTMENTS (cont'd)

The following are the changes in the comparative figures due to the prior year adjustments:

|  | As previously<br>reported<br>RM | Prior year<br>adjustments<br>RM | As restated<br>RM |
|--|---------------------------------|---------------------------------|-------------------|
| <b>Group</b>                             |                                 |                                 |                   |
| <b>1 January 2018</b>                    |                                 |                                 |                   |
| <u>Statement of financial position</u>   |                                 |                                 |                   |
| <u>Non-current assets</u>                |                                 |                                 |                   |
| Investments in associates                | 437,958,326                     | (66,575,736)                    | 371,382,590       |
| Land held for disposal                   | 22,412,539                      | (22,412,539)                    | -                 |
| Other financial asset                    | 3,000,000                       | (2,275,738)                     | 724,262           |
| <u>Current asset</u>                     |                                 |                                 |                   |
| Non-current asset held for sale          | -                               | 22,412,539                      | 22,412,539        |
| <u>Statement of changes in equity</u>    |                                 |                                 |                   |
| Retained earnings                        | 882,860,656                     | (68,851,474)                    | 814,009,182       |
| <b>31 December 2018</b>                  |                                 |                                 |                   |
| <u>Statement of comprehensive income</u> |                                 |                                 |                   |
| Share of profit after tax of associates  | 25,734,422                      | (10,553,303)                    | 15,181,119        |
| Fair value gain on other investment      | -                               | 6,397                           | 6,397             |
| <u>Statement of financial position</u>   |                                 |                                 |                   |
| <u>Non-current assets</u>                |                                 |                                 |                   |
| Investments in associates                | 516,171,018                     | (77,129,039)                    | 439,041,979       |
| Land held for disposal                   | 22,412,539                      | (22,412,539)                    | -                 |
| Other financial asset                    | 3,000,000                       | (2,269,341)                     | 730,659           |
| <u>Current asset</u>                     |                                 |                                 |                   |
| Non-current asset held for sale          | -                               | 22,412,539                      | 22,412,539        |
| <u>Statement of cash flows</u>           |                                 |                                 |                   |
| <u>Operating activities</u>              |                                 |                                 |                   |
| Share of profit after tax of associates  | (25,734,422)                    | 10,553,303                      | (15,181,119)      |
| <u>Statement of changes in equity</u>    |                                 |                                 |                   |
| Retained earnings                        | 889,445,509                     | (79,398,380)                    | 810,047,129       |
| <b>Company</b>                           |                                 |                                 |                   |
| <b>1 January 2018</b>                    |                                 |                                 |                   |
| <u>Statement of financial position</u>   |                                 |                                 |                   |
| <u>Non-current assets</u>                |                                 |                                 |                   |
| Land held for disposal                   | 22,412,539                      | (22,412,539)                    | -                 |
| Other financial asset                    | 3,000,000                       | (2,275,738)                     | 724,262           |
| <u>Current asset</u>                     |                                 |                                 |                   |
| Non-current asset held for sale          | -                               | 22,412,539                      | 22,412,539        |

## Notes to the Financial Statements

31 December 2019

### 35. PRIOR YEAR ADJUSTMENTS (cont'd)

The following are the changes in the comparative figures due to the prior year adjustments: (cont'd)

|  | As previously<br>reported<br>RM | Prior year<br>adjustments<br>RM | As restated<br>RM |
|--|---------------------------------|---------------------------------|-------------------|
| <b>Company</b>                           |                                 |                                 |                   |
| <b>31 December 2018</b>                  |                                 |                                 |                   |
| <u>Statement of financial position</u>   |                                 |                                 |                   |
| <u>Non-current assets</u>                |                                 |                                 |                   |
| Land held for disposal                   | 22,412,539                      | (22,412,539)                    | -                 |
| Other financial asset                    | 3,000,000                       | (2,269,341)                     | 730,659           |
| <u>Current asset</u>                     |                                 |                                 |                   |
| Non-current asset held for sale          | -                               | 22,412,539                      | 22,412,539        |
| <u>Statement of comprehensive income</u> |                                 |                                 |                   |
| Fair value gain on other investment      | -                               | 6,397                           | 6,397             |

### 36. COMPARATIVES FIGURES

(i) Certain comparative figures have been reclassified to conform with current year's presentation as follows:

|   | As previously<br>reported<br>RM | As<br>reclassified<br>RM |
|---|---------------------------------|--------------------------|
| <b>Group</b>  |                                 |                          |
| <b>1 January 2018</b>   |                                 |                          |
| <u>Statement of financial position</u>                              |                                 |                          |
| <u>Non-current assets</u>   |                                 |                          |
| Biological assets   | -                               | 611,626                  |
| <u>Current assets</u>   |                                 |                          |
| Inventories   | 11,986,533                      | 11,374,907               |
| <b>31 December 2018</b>   |                                 |                          |
| <u>Statement of financial position</u>                              |                                 |                          |
| <u>Current liabilities</u>  |                                 |                          |
| Payables  | 27,633,235                      | 33,571,615               |
| Dividend payable  | 5,938,380                       | -                        |
| <u>Statement of comprehensive income</u>                            |                                 |                          |
| Other operating income  | 11,819,999                      | 11,073,754               |
| Employee benefits expense   | (16,631,869)                    | (21,843,305)             |
| Other operating expenses  | (21,626,069)                    | (16,414,633)             |
| <u>Statement of cash flows</u>                                      |                                 |                          |
| <u>Operating activities</u>   |                                 |                          |
| Profit for the financial year attributable to Owners of the Company | 60,354,150                      | -                        |
| Profit before tax   | -                               | 72,153,291               |
| Non-controlling interests   | 6,735,292                       | -                        |
| Tax expense   | 15,617,152                      | -                        |
| Changes in working capital:<br>- receivables                        | 34,214,401                      | 34,198,853               |



## Notes to the Financial Statements

### 31 December 2019

#### 36. COMPARATIVES FIGURES (cont'd)

- (i) Certain comparative figures have been reclassified to conform with current year's presentation as follows: (cont'd)

|   | As previously<br>reported<br>RM | As<br>reclassified<br>RM |
|---|---------------------------------|--------------------------|
| <b>Company</b>  |                                 |                          |
| <b>1 January 2018</b>   |                                 |                          |
| <u>Statement of financial position</u>                              |                                 |                          |
| <u>Non-current assets</u>   |                                 |                          |
| Amount due from a subsidiary  | -                               | 17,372,779               |
| <u>Current assets</u>   |                                 |                          |
| Receivables   | 86,157,633                      | 68,784,854               |
| <u>Statement of financial position</u>                              |                                 |                          |
| <u>Non-current assets</u>   |                                 |                          |
| Amount due from a subsidiary  | -                               | 19,354,344               |
| <u>Current assets</u>   |                                 |                          |
| Receivables   | 64,021,800                      | 44,667,456               |
| <u>Current liabilities</u>  |                                 |                          |
| Payables  | 27,633,235                      | 33,571,615               |
| Dividend payable  | 5,938,380                       | -                        |
| <u>Statement of comprehensive income</u>                            |                                 |                          |
| Amortisation of amount due from a subsidiary                        | 781,532                         | -                        |
| Loss on initial recognition of amount due from a subsidiary         | (1,119,382)                     | -                        |
| Employee benefits expense   | (3,587,534)                     | (6,120,795)              |
| Other operating expenses  | (5,374,927)                     | (2,841,666)              |
| Finance income  | 922,082                         | 1,703,614                |
| Finance cost  | -                               | (1,119,382)              |
| <u>Statement of cash flows</u>                                      |                                 |                          |
| <u>Operating activities</u>   |                                 |                          |
| Profit for the financial year attributable to Owners of the Company | 54,555,148                      | -                        |
| Profit before tax   | -                               | 59,930,878               |
| Property, plant and equipment                                       |                                 |                          |
| - written off   | 1                               | -                        |
| Loss on initial recognition   | 1,119,382                       | -                        |
| Amortisation of receivable  | (781,532)                       | -                        |
| Finance cost  | -                               | 1,119,382                |
| Finance income  | (922,082)                       | (1,703,614)              |
| Tax expense   | 5,375,730                       | -                        |
| Changes in working capital:   |                                 |                          |
| - receivables   | 33,117,326                      | 21,792,306               |
| - subsidiaries  | (7,123,703)                     | -                        |
| - payables  | (3,558,459)                     | (2,646,092)              |
| <u>Investing activities</u>   |                                 |                          |
| Property, plant and equipment                                       |                                 |                          |
| - purchase  | (120,331,409)                   | (117,048,135)            |

- (ii) The comparative figures were audited by a firm of chartered accountants other than Moore Stephens Associates PLT.

# Notes to the Financial Statements

## 31 December 2019

### 37. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Since early 2020, the spread of the COVID-19 pandemic had severely impacted many economies around the world, causing many affected countries to introduce various measures of lockdown and movement restrictions, resulting in a severe slowdown in business activities and travel globally. The Government of Malaysia had enforced the first phase of Movement Control Order (“MCO”) to contain the spread of the virus, including travel bans and restrictions, quarantines, social distancing and closures of non-essential services, which was effected from 18 March 2020 and had been subsequently extended to the fourth phase up until 12 May 2020. As palm oil is mainly used for essential items such as food and fuel, the Government of Malaysia has allowed the industry, namely plantations, mills and refineries, to be exempted during the MCO with companies being allowed to continue to operate with certain restrictions and conditions.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group and of the Company for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The Directors of the Group and of the Company (“the Directors”) had performed assessments and carefully considered the potential impact of COVID-19 on the Group’s and on the Company’s operations and financials, which include amongst others the slowing down of demand for edible oils, volatility of CPO and PK prices, lower share of profits from the associates, rising operation costs, higher wages and labour shortages. In view of the duration and the impact of the COVID-19 pandemic remains unclear as at the date of the authorisation of the financial statements, the Directors are unable to quantify the potential financial impact of the Group and of the Company for the financial year ending 31 December 2020. The Group and the Company will only recognise the financial impact arisen from the uncertainties caused by the COVID-19 pandemic in the financial year ending 31 December 2020.



# SHAREHOLDINGS STRUCTURE

As at 18 May 2020

**DISTRIBUTION TABLE A**

| Size of Shareholdings                    | No. of Holders | %             | No. of Shares      | %             |
|--|----------------|---------------|--------------------|---------------|
| Less than 100                            | 31             | 1.74          | 650                | 0.00          |
| 100 - 1,000                              | 168            | 9.43          | 120,338            | 0.02          |
| 1,001 - 10,000                           | 862            | 48.40         | 5,900,478          | 0.99          |
| 10,001 - 100,000                         | 591            | 33.19         | 17,782,359         | 2.99          |
| 100,001 to less than 5% of issued shares | 124            | 6.96          | 214,465,940        | 36.12         |
| 5% and above of issue shares             | 5              | 0.28          | 355,568,220        | 59.88         |
| <b>TOTAL</b>                             | <b>1,781</b>   | <b>100.00</b> | <b>593,837,985</b> | <b>100.00</b> |

**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 <b>Individuals</b>                        | 105            | 1,441        | 22        | 19,969,120         | 84,982,255         | 599,196          | 3.36         | 14.31        | 0.10        |
| 2 <b>Body Corporate</b>                     |                |              |           |                    |                    |                  |              |              |             |
| a. Banks/Finance Companies                  | 4              | 0            | 0         | 141,120            | 0                  | 0                | 0.02         | 0.00         | 0.00        |
| b. Investment Trusts/ Foundation/ Charities | 0              | 0            | 0         | 0                  | 0                  | 0                | 0.00         | 0.00         | 0.00        |
| c. Other Types of Companies                 | 10             | 34           | 0         | 76,167,636         | 235,930,344        | 0                | 12.83        | 39.73        | 0.00        |
| 3 <b>Government Agencies/ Institutions</b>  | 2              | 0            | 0         | 151,591,020        | 0                  | 0                | 25.53        | 0.00         | 0.00        |
| 4 <b>Nominees</b>                           | 90             | 64           | 9         | 22,244,254         | 1,563,820          | 648,220          | 3.75         | 0.26         | 0.11        |
| 5 <b>Others</b>                             | 0              | 0            | 0         | 0                  | 0                  | 0                | 0.00         | 0.00         | 0.00        |
| <b>Total</b>                                | <b>211</b>     | <b>1,539</b> | <b>31</b> | <b>270,113,150</b> | <b>322,476,419</b> | <b>1,247,416</b> | <b>45.49</b> | <b>54.30</b> | <b>0.21</b> |

## Shareholdings Structure

As at 18 May 2020

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No.          | Shareholder's Name  | Shareholding       | %            |
|--------------|---|--------------------|--------------|
| 1            | Perbadanan Kemajuan Pertanian Negeri Pahang   | 149,523,360        | 25.18        |
| 2            | Prosper Trading Sdn. Bhd.   | 96,828,480         | 16.31        |
| 3            | Hikmat Elit Sdn. Bhd.   | 41,196,540         | 6.94         |
| 4            | LKPP Corporation Sendirian Berhad   | 34,861,176         | 5.87         |
| 5            | Prosper Trading Sdn. Bhd.   | 33,158,664         | 5.58         |
| 6            | Fokas Sehati Sdn. Bhd.  | 19,579,740         | 3.30         |
| 7            | Azimat Pelangi Sdn. Bhd.  | 18,197,880         | 3.06         |
| 8            | Deluxe Era Sdn. Bhd.  | 14,649,820         | 2.47         |
| 9            | Hikmat Elit Sdn. Bhd.   | 13,747,020         | 2.31         |
| 10           | Kamaruddin bin Mohammed   | 11,340,000         | 1.91         |
| 11           | Prosper Trading Sdn. Bhd.   | 10,935,120         | 1.84         |
| 12           | Affin Hwang Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Tee Kim Tee @ Tee Ching Tee | 10,887,240         | 1.83         |
| 13           | Mergeboom (M) Sdn. Bhd.   | 10,567,200         | 1.78         |
| 14           | Tee Cheng Hua   | 8,762,200          | 1.48         |
| 15           | Affin Hwang Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Tee Kim Tee @ Tee Ching Tee | 8,190,000          | 1.38         |
| 16           | Budi-JS Plantation Management Sdn. Berhad   | 7,002,240          | 1.18         |
| 17           | Mergeboom (M) Sdn. Bhd.   | 4,935,000          | 0.83         |
| 18           | Han Kee Juan  | 4,121,040          | 0.69         |
| 19           | Tee Ching Chan  | 3,720,280          | 0.63         |
| 20           | Tee Cheng Hu  | 3,038,280          | 0.51         |
| 21           | Amanah Saham Pahang Berhad  | 2,982,420          | 0.50         |
| 22           | Tee Lip Hian  | 2,883,720          | 0.49         |
| 23           | Tee Chain Yee   | 2,835,000          | 0.48         |
| 24           | Tee Lip Sin   | 2,313,780          | 0.39         |
| 25           | Tee Lip Jen   | 2,183,580          | 0.37         |
| 26           | Nowawi Bin Abdul Rahman   | 2,169,600          | 0.37         |
| 27           | Tee Lip Chuan   | 2,132,340          | 0.35         |
| 28           | Kalsom Binti Ahmad  | 2,100,000          | 0.35         |
| 29           | Perbadanan Kemajuan Negeri Selangor   | 2,067,660          | 0.35         |
| 30           | Liow Boon Seng  | 2,007,600          | 0.34         |
| <b>TOTAL</b> |   | <b>528,916,980</b> | <b>89.07</b> |

\* Paid-up Capital as at 18 May 2020 was 593,837,985 unit ordinary shares





# Shareholdings Structure

As at 18 May 2020

## INFORMATION OF SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

| Nos.     | Names of Substantial Shareholders                                    | Direct Holdings    |              |
|----------|--|--------------------|--------------|
|          |  | No.                | %            |
| <b>1</b> | <b>PERBADANAN KEMAJUAN PERTANIAN NEGERI PAHANG</b>                   |                    |              |
|          | <i>Share held through:-</i>  |                    |              |
|          | <i>Own Account - CDS No. 087-007-057838492</i>                       | 149,523,360        | 25.18        |
|          | <b>Total shares and %</b>  | <b>149,523,360</b> | <b>25.18</b> |
| <b>2</b> | <b>PROSPER TRADING SDN. BHD.</b>                                     |                    |              |
|          | <i>Share held through:-</i>  |                    |              |
|          | <i>Own Account - CDS No. 068-009-050705219</i>                       | 33,158,664         | 5.58         |
|          | <i>Own Account - CDS No. 068-019-024047938</i>                       | 10,935,120         | 1.84         |
|          | <i>AMSEC Nominees (Tempatan) Sdn Bhd - CDS No. 086-001-035663806</i> | 96,828,480         | 16.31        |
|          | <b>Total shares and %</b>  | <b>140,922,264</b> | <b>23.73</b> |
| <b>3</b> | <b>HIKMAT ELIT SDN. BHD.</b>   |                    |              |
|          | <i>Share held through:-</i>  |                    |              |
|          | <i>Own Account - CDS No. 068-009-050707900</i>                       | 41,196,540         | 6.94         |
|          | <i>Own Account - CDS NO. 028-002-036831386</i>                       | 13,747,020         | 2.31         |
|          | <b>Total shares and %</b>  | <b>54,943,560</b>  | <b>9.25</b>  |
| <b>4</b> | <b>LKPP CORPORATION SDN. BHD.</b>                                    |                    |              |
|          | <i>Share held through:-</i>  |                    |              |
|          | <i>Own Account - CDS No. 058-003-002974525</i>                       | 34,861,176         | 5.87         |
|          | <i>TA Nominees (Tempatan) Sdn Bhd - CDS No. 058-003-004774634</i>    | 508,200            | 0.09         |
|          | <b>Total shares and %</b>  | <b>35,369,376</b>  | <b>5.96</b>  |
|          | <b>TOTAL</b>   | <b>380,758,560</b> | <b>64.12</b> |

## Shareholdings Structure

As at 18 May 2020

### INFORMATION ON DIRECTORS' SHAREHOLDINGS

| No. | Names of Directors   | Direct Holdings                    |                      | Indirect Holdings                                  |              |
|-----|--|------------------------------------|----------------------|--|--------------|
|     |  | No.                                | %                    | No.  | %            |
| 1   | YH DATO' SRI KAMARUDDIN BIN MOHAMMED<br><i>Shares held through:-</i><br><i>Individual Account - CDS No. 058-003-043607845</i><br><i>Notes:</i><br><i>(a) By Virtue of YBhg Datin Sri Kalsom Binti Ahmad is his spouse</i><br><i>(b) By Virtue of Khairatun Amirah Binti Kamaruddin is his daughter</i> | 11,340,000                         | 1.91                 | 2,100,000 <sup>(a)</sup><br>420,000 <sup>(b)</sup> | 0.35<br>0.07 |
|     |  | <b>11,340,000</b>                  | <b>1.91</b>          | <b>2,520,000</b>                                   | <b>0.42</b>  |
| 2   | MR TEE KIM TEE @ TEE CHING TEE<br><i>Shares held through:-</i><br><i>Individual Account - CDS No.068-009-050698323</i><br><i>Affin Hwang Nominees (Tempatan) Sdn Bhd - CDS No.068-009-050757608</i><br><i>Affin Hwang Nominees (Tempatan) Sdn Bhd - CDS No.028-002-009567678</i>                       | 501,480<br>10,887,240<br>8,190,000 | 0.09<br>1.83<br>1.38 | -  | -            |
|     |  | <b>19,578,720</b>                  | <b>3.30</b>          |  |              |
| 3   | MR TEE CHENG HUA<br><i>Shares held through:-</i><br><i>Individual Account - CDS No. 086-001-013021316</i>  | 8,762,200                          | 1.47                 | -  | -            |
|     |  | <b>8,762,200</b>                   | <b>1.47</b>          |  |              |
| 4   | MR TEE LIP TENG<br><i>Shares held through:-</i><br><i>Individual Account 1 - CDS No.086-003-049003551</i><br><i>Individual Account 2 - CDS No.028-002-049136559</i>  | 420,000<br>840,000                 | 0.07<br>0.14         | -  | -            |
|     |  | <b>1,260,000</b>                   | <b>0.21</b>          |  |              |
| 5   | YH DATO' JAMALUDDIN BIN ABD MAJID  | -                                  | -                    | -  | -            |
| 6   | ENCIK NIK MOHAMED ZAKI BIN NIK YUSOFF  | -                                  | -                    | -  | -            |
| 7   | YH DATO' SUHAIMI BIN MOHD YUNUS  | -                                  | -                    | -  | -            |
| 8   | YH DATUK MOHD AFRIZAN BIN HUSAIN   | -                                  | -                    | -  | -            |
|     | <b>TOTAL</b>   | <b>40,940,920</b>                  | <b>6.90</b>          | <b>2,520,000</b>                                   | <b>0.42</b>  |



## GROUP PROPERTIES

| Location   | Title/Address | Tenure<br>(Leasehold<br>period till<br>year) | Area (Hec) /<br>Square Meter | Usage                    | Net Book<br>Value As At<br>31.12.2019<br>RM'000 |
|--|---------------|--|------------------------------|--------------------------|---|
| <b>Far East Holdings Berhad</b>                                  |               |  |                              |                          |   |
| <b>Ladang Sg. Seraya</b><br>Daerah Rompin<br>Pahang Darul Makmur | H.S(D) 61     | 2079   | 161.8744 ha                  | Oil Palm<br>Cultivations |   |
|  | H.S(D) 62     | 2079   | 258.9990 ha                  |                          |   |
|  | H.S(D) 63     | 2079   | 230.6710 ha                  |                          |   |
|  | H.S(D) 64     | 2079   | 190.2024 ha                  |                          |   |
|  | PN 16273      | 2103   | 60.5700 ha                   |                          |   |
|  | PN 16839      | 2103   | 10.2200 ha                   |                          |   |
| <b>Ladang Bukit Jin</b><br>Daerah Bera<br>Pahang Darul Makmur    | H.S(D) 3171   | 2079   | 420.8734 ha                  | Oil Palm<br>Cultivations |   |
|  | H.S(D) 3172   | 2079   | 420.8724 ha                  |                          |   |
|  | H.S(D) 3173   | 2079   | 190.2020 ha                  |                          |   |
|  | H.S(D) 3174   | 2079   | 230.6705 ha                  |                          |   |
|  | H.S(D) 3177   | 2079   | 384.4508 ha                  |                          |   |
|  | H.S(D) 3178   | 2079   | 36.4217 ha                   |                          |   |
|  | H.S(D) 3179   | 2079   | 68.7965 ha                   |                          |   |
|  | H.S(D) 3180   | 2079   | 68.7965 ha                   |                          |   |
| <b>Ladang Sg. Rasau</b><br>Daerah Pekan<br>Pahang Darul Makmur   | H.S(D) 1971   | 2091   | 118.0388 ha                  | Oil Palm<br>Cultivations |   |
| <b>Ladang Sg. Batu</b><br>Daerah Kuantan<br>Pahang Darul Makmur  | PN 18576      | 2103   | 873.6000 ha                  | Oil Palm<br>Cultivations |   |
|  | PN 24400      | 2112   | 33.3000 ha                   |                          |   |
| <b>Ladang Chengal</b><br>Daerah Rompin<br>Pahang Darul Makmur    | H.S(D) 4147   | 2106   | 1,103.0100 ha                | Oil Palm<br>Cultivations |   |
|  | H.S(D) 4148   | 2106   | 1,096.9900 ha                |                          |   |
| <b>Ladang DSK</b><br>Daerah Rompin<br>Pahang Darul Makmur        | H.S(D) 4803   | 2112   | 1,297.0200 ha                | Oil Palm<br>Cultivations |   |
| <b>Bandar Indera Mahkota</b>                                     | PN 7721       | 2096   | 8.8240 ha                    | Building                 |   |
| <b>Land Nearby<br/>Sungai Marung Estate</b>                      | H.S(D) 5006   | 2114   | 158.1890 ha                  | Oil Palm<br>Cultivations |   |
|  | H.S.(M) 7647  | 2114   | 1.4890 ha                    |                          |   |
|  | H.S(D) 5087   | 2115   | 31.8020 ha                   |                          |   |
|  | H.S(D) 5456   | 2116   | 26.5970 ha                   |                          |   |
|  | PN 27916      | 2117   | 12.7800 ha                   |                          |   |
| <b>Land Nearby Sungai Gayung<br/>Estate</b>                      | H.S(D) 5088   | 2115   | 11.5600 ha                   | Oil Palm<br>Cultivations |   |
| <b>Land Nearby<br/>Bukit Serok Estate</b>                        | H.S(D) 4850   | 2113   | 44.6500 ha                   | Oil Palm<br>Cultivations |   |
|  | H.S(D) 4851   | 2113   | 145.8900 ha                  |                          |   |
| <b>Land Nearby<br/>Kampong Aur Estate</b>                        | H.S(D) 5005   | 2114   | 58.4620 ha                   | Oil Palm<br>Cultivations |   |
| <b>Land Nearby<br/>Cempaka Estate</b>                            | H.S(D) 11009  | 2116   | 8.5000 ha                    | Oil Palm<br>Cultivations |   |
|  | H.S(D) 11010  | 2116   | 17.0120 ha                   |                          |   |
|  | H.S(D) 11011  | 2116   | 17.8220 ha                   |                          |   |

## Group Properties

| Location  | Title/Address  | Tenure<br>(Leasehold<br>period till<br>year)   | Area (Hec) /<br>Square Meter  | Usage                    | Net Book<br>Value As At<br>31.12.2019<br>RM'000 |
|---|--|--|---|--------------------------|---|
| Land Nearby Dawn Estate   | H.S(D) 5004  | 2114   | 12.1000 ha  | Oil Palm<br>Cultivations |   |
| Land Nearby Juasa Estate  | H.S(D) 5330<br>H.S(D) 5331<br>H.S(D) 5346  | 2116<br>2116<br>2116   | 40.8200 ha<br>221.4570 ha<br>55.2910 ha   | Oil Palm<br>Cultivations |   |
|   |  |  | <b>8,128.8244 ha</b>  |                          | <b>333,248</b>                                  |
| <b>Far East Holdings Berhad<br/>(Head Office)</b>                 | Level 23<br>Menara Zenith<br>Jalan Putra<br>Square 6<br>25200 Kuantan<br>Pahang Darul<br>Makmur  | Owned  | 14,444.40 sq.m.   | Head Office              |   |
|   |  |  |   |                          | <b>4,602</b>                                    |
| <b>Dawn Oil Palm Plantations Sdn. Bhd.</b>                        |  |  |   |                          |   |
| <b>Ladang Dawn</b><br>Daerah Rompin<br>Pahang Darul Makmur        | H.S(D) 11<br>H.S(D) 18<br>H.S(D) 57<br>H.S(D) 58<br>H.S(D) 3719<br>H.S(D) 3772<br>H.S(D) 3773<br>H.S(D) 4115<br>PN 7815<br>PN 19605<br>H.S(D) 4852<br>PN 17098 | 2075<br>2076<br>2079<br>2079<br>2071<br>2072<br>2072<br>2103<br>2103<br>2071<br>2113<br>2103 | 297.8482 ha<br>133.1414 ha<br>242.8116 ha<br>177.7600 ha<br>11.33120 ha<br>236.3360 ha<br>14.56870 ha<br>114.1800 ha<br>218.9000 ha<br>138.2000 ha<br>220.0000 ha<br>23.7700 ha | Oil Palm<br>Cultivations |   |
| <b>Ladang Cempaka</b><br>Daerah Bera<br>Pahang Darul Makmur       | H.S(D) 988   | 2096   | 452.6000 ha   | Oil Palm<br>Cultivations |   |
|   |  |  | <b>2,281.4471 ha</b>  |                          | <b>69,741</b>                                   |
| <b>B.S. Oil Palm Plantations Sdn. Bhd.</b>                        |  |  |   |                          |   |
| <b>Ladang Bukit Serok</b><br>Daerah Rompin<br>Pahang Darul Makmur | H.S(D) 8<br>H.S(D) 16<br>H.S(D) 50<br>H.S(D) 59<br>H.S(D) 60<br>H.S(D) 3716<br>H.S(D) 3717<br>H.S(D) 3741<br>PN 17048  | 2075<br>2076<br>2085<br>2079<br>2079<br>2071<br>2071<br>2071<br>2103                         | 350.4572 ha<br>346.8150 ha<br>357.8000 ha<br>171.9916 ha<br>248.8819 ha<br>136.3788 ha<br>137.1882 ha<br>290.1591 ha<br>27.7900 ha  | Oil Palm<br>Cultivations |   |
|   |  |  | <b>2,067.4618 ha</b>  |                          | <b>75,769</b>                                   |



## Group Properties

| Location  | Title/Address                | Tenure<br>(Leasehold<br>period till<br>year) | Area (Hec) /<br>Square Meter | Usage                                    | Net Book<br>Value As At<br>31.12.2019<br>RM'000 |
|---|------------------------------|--|------------------------------|--|---|
| <b>Far East Delima Plantations Sdn. Bhd.</b>                    |                              |  |                              |  |   |
| <b>Ladang Delima</b><br>Daerah Rompin<br>Pahang Darul Makmur    | H.S(D) 4568*                 | 2103   | 2,830.8500 ha                | Oil Palm<br>Cultivations                 |   |
|   |                              |  | <b>2,830.8500 ha</b>         |  | <b>32,214</b>                                   |
| <b>F.E. Rangkaian Sdn. Bhd.</b>                                 |                              |  |                              |  |   |
| <b>Ladang Rangkaian</b><br>Daerah Rompin<br>Pahang Darul Makmur | H.S(D) 4805*<br>H.S(D) 4806* | 2112<br>2112                                 | 728.4500 ha<br>687.9800 ha   | Oil Palm<br>Cultivations                 |   |
|   |                              |  | <b>1,416.4300 ha</b>         |  | <b>21,357</b>                                   |
| <b>Kilang Kosfarm Sdn. Bhd.</b>                                 |                              |  |                              |  |   |
|   | H.S(D) 3896**                | 2070   | 123.8339 ha                  | Building and<br>Oil Palm<br>Cultivations |   |
|   |                              |  | <b>123.8339 ha</b>           |  | <b>401</b>                                      |
|   |                              | <b>Grand Total</b>                           | <b>16,848.8472 ha</b>        |  | <b>537,332</b>                                  |

Notes:

\* The land is leased from Rangkaian Delima Sdn. Bhd.

\*\* The land is leased from Kampong Aur Oil Palm Company (Sdn.) Berhad.

# Far East Holdings Berhad

197301001753 (14809-W)

# PROXY FORM

I/We ..... NRIC/Company No.: .....

Tel: ..... CDS Account No.: ..... Number of Shares Held: .....

Address: .....

being a member/members of **FAR EAST HOLDINGS BERHAD [197301001753 (14809-W)]**, hereby appoint:-

(1) Name of Proxy: ..... NRIC/Company No.: .....

Address: .....

Tel: ..... Percentage of Shares Represented: ..... %

(2) Name of Proxy: ..... NRIC/Company No. ....

Address: .....

Tel: ..... Percentage of Shares Represented: ..... %

or failing him/her the CHAIRMAN OF THE MEETING, as my/our proxy to attend and vote for me/us, and on my/our behalf at the 46<sup>th</sup> Annual General Meeting of the Company to be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur, on Wednesday, 15 July 2020 at 10.00 a.m. and at any adjournment thereof.

Please indicate with (√) how you wish your vote to be casted. In the absence of specific instruction, your Proxy will vote or abstain from voting at his/her discretion.

| No | Resolutions   | For | Against |
|----|---|-----|---------|
| 1. | To re-elect the Director - Mr Tee Kim Tee @ Tee Ching Tee   |     |         |
| 2. | To re-elect the Director - Mr Tee Cheng Hua   |     |         |
| 3. | To re-elect the Director - YH Dato' Suhaimi Bin Mohd Yunus  |     |         |
| 4. | To Approve the Directors' fee   |     |         |
| 5. | To Approve the payment of Directors' benefits (other than Directors' fee)   |     |         |
| 6. | To Appoint Messrs Moore Stephens Associates PLT as auditors   |     |         |
| 7. | Proposed Renewal of Shareholders' Mandate in Respect of RRPT and Proposed New Shareholders' Mandate for Additional RRPT |     |         |

Signed this ..... day of ..... 2020.

.....  
Signature(s)/Company Seal

## Notes on Proxy

1. Depositors who appear in the Record of Depositors as at 8 July 2020 (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 46<sup>th</sup> 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, Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur, not less than twenty-four (24) 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 member 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 Requirements of Bursa Malaysia Securities Berhad, all the resolutions 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 (1) vote on a show of hand and in the case of a poll shall have one (1) vote for every share of which he/she is the holder.



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STAMP

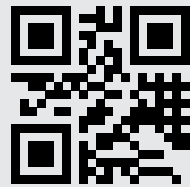
COMPANY SECRETARIES  
**FAR EAST HOLDINGS BERHAD**  
Level 23, Menara Zenith  
Jalan Putra Square 6  
25200 Kuantan  
Pahang Darul Makmur

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[www.fehb.com.my](http://www.fehb.com.my)




**Far East Holdings Berhad** 197301001753 (14809-W)

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 [fareast@fareh.po.my](mailto:fareast@fareh.po.my)

## **CORPORATE GOVERNANCE REPORT**

STOCK CODE : 5029  
COMPANY NAME : Far East Holdings Berhad  
FINANCIAL YEAR : 31 December 2019

### **OUTLINE:**

#### **SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B - DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

| Application  | Applied   |
|--|---|
| <p><b>Explanation on application of the practice</b></p> | <p>The Board believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of Far East Holdings Berhad ("FEHB" or "Company") and its ability to attract investment, protect the rights of shareholders and stakeholders and enhance shareholders' value.</p> <p>The Board is mindful to protect the interests of its shareholders and stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference ("Board Charter") which sets out the roles and responsibilities of the Board. The Board Charter serves as a source of reference and primary induction literature to provide insight to prospective Board Members and Senior Management. The Board Charter is reviewed periodically or on as and when necessary to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter is accessible on our website <a href="http://www.fehb.com.my">www.fehb.com.my</a>.</p> <p>The principal role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and executive management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.</p> <p>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.</p> <p>As stipulated in the Board Charter, the Board has targeted to meet at least five (5) times a year, with additional meetings convened as and when necessary.</p> |

|  |    |
|--|----|
| <b>Explanation for departure</b>   | NA |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |    |
| <b>Measure</b>   | NA |
| <b>Time frame</b>  | NA |

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>The role of the Group Executive Chairman and the Senior Executive Director, Plantations &amp; Milling 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 Senior Executive Director, Plantations &amp; Milling 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 practice healthy debate on any agenda tabled. Each one of the Board members is allowed to express his opinion or views which is 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.</p> <p>The key roles and accountabilities of the Group Executive Chairman include:-</p> <ol style="list-style-type: none"> <li>(1) Providing governance in matters requiring corporate justice and integrity;</li> <li>(2) Managing Board communications and board effectiveness and effective supervision over management;</li> <li>(3) Creating conditions for good decision making during Board and Shareholders' meetings;</li> <li>(4) Ensuring Board proceedings are in compliance with good conduct and best practices;</li> <li>(5) Protecting the interest of all stakeholders and providing such information as deemed appropriate;</li> <li>(6) Maintaining good contact and effective relationships with external parties, investing public, regulatory agencies and trade associations;</li> <li>(7) Ensuring that sufficient and accurate information are provided to the Board on a timely manner to facilitate decision making;</li> <li>(8) Ensuring compliance with all relevant regulations and legislations;</li> <li>(9) Maintaining effective relations with external agencies such as regulatory bodies, government agencies, investing public and other trade associations and institutions; and</li> <li>(10) Appraise business opportunities which are of potential benefit to the Group.</li> </ol> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The role of the Group Executive Chairman and the Senior Executive Director, Plantations &amp; Milling 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 Senior Executive Director, Plantations &amp; Milling has overall responsibility for the plantation operating units, organisational effectiveness and implementation of Board policies and decisions.</p> <p>The key role of Senior Executive Director amongst others, include:-</p> <ol style="list-style-type: none"> <li>(1) Developing the strategic direction of the Company and its subsidiaries ("the Group");</li> <li>(2) Providing directions in the implementation of short and long term business plans;</li> <li>(3) Providing strong leadership i.e. effectively communicating a vision, management philosophy and business strategy to the employees;</li> <li>(4) Ensuring high performance and productivity of top management by creating conditions for top management motivation, performance management and professional development;</li> <li>(5) Ensuring compliance with all relevant legislation and regulations by reviewing policies and monitoring compliance;</li> <li>(6) Developing effective relations with significant external agencies such as regulatory bodies, government agencies, investing public and other trade associations and institutions;</li> <li>(7) Appraise business opportunities which are of potential benefit to the Group;</li> <li>(8) Ensuring that the Group's strategies and corporate policies are effectively implemented;</li> <li>(9) Ensuring that Board decisions are implemented and Board directions adhered to;</li> <li>(10) Responsible for the day-to-day management for the Group are effectively managed with all powers, discretions and delegations authorized from time to time by Board;</li> <li>(11) Keeping the Board fully informed of all important aspects of the Group's operation and ensuring sufficient information is distributed to Board Member; and</li> <li>(12) Ensure any other relevant information or matters are brought to the attention of the Board in an accurate and timely manner.</li> </ol> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The Company Secretaries, YH Dato' Asmin Binti Yahya is a member of Malaysian Institute of Accountants and Puan Noor Anisah Binti Sabarudin is a licentiate of Companies Commission of Malaysia. Both Company Secretaries satisfy the qualification as prescribed under Section 235(2) of the Companies Act 2016 and have the requisite experience and competency in company secretarial services.</p> <p>The Company Secretaries play an important advisory role, and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations effecting the Company and Group.</p> <p>The Company Secretaries organise and attend all Board and Board Committees meetings and is responsible to ensure that meetings are properly convened and accurate and proper records of the proceedings and resolutions passed are taken and maintained at the Registered Office of the Company.</p> <p>Every quarter, the Company Secretaries would send a memo to the Directors, Management and affected persons on closed period dealing and process and procedure to assist them in complying with the MMLR.</p> <p>All Directors have right of access to the Company Secretaries as stipulated in the Board Charter.</p> <p>Every announcements released will be circulated and notified to the Directors. The Company Secretaries also ensure the Company to comply with the Main Market Listing Requirements i.e. the deadline for submission of meeting materials is five (5) working days prior to the dates of meetings to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board and Committee meeting.</p> <p>The Companies Secretaries also ensure that any new regulations or circular issued by Bursa or any other relevant bodies will be distributed to all Directors timely.</p> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |



## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

| <b>Application</b>   | <b>Applied</b>  |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>All Directors are provided with formal schedule of matters and a set of necessary Board papers in advance at least five (5) days prior to the respective Board meetings. They have direct access to the advice and services of the Company Secretaries.</p> <p>The Minutes of meetings are prepared and circulated to the Directors for review and approval. Fundamental questions raised and key points discussed during the meeting were recorded, including declaration of interest of the Directors on any resolution by the Directors. The minutes would be confirmed by the Board at the next meeting and signed by Chairman.</p> <p>In the event that the Directors require further information, the consultant or other staff shall call to attend the meeting and give further clarification regarding the matters discussed.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:-

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

| Application  | Applied   |
|--|---|
| <p><b>Explanation on application of the practice</b></p> | <p>The Board is mindful to protect the interests of its shareholders and stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference ("Board Charter") which sets out the roles and responsibilities of the Board. The Board Charter is reviewed periodically or on as and when necessary to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter is accessible on our website <a href="http://www.fehb.com.my">www.fehb.com.my</a> and was revised on 21 February 2019.</p> <p>In discharging its fiduciary duties in respect of the Group, the Board is responsible to the following:-</p> <p><b>a. Duties and Responsibilities</b></p> <p>The Board assumes, amongst others, following duties and responsibilities:-</p> <ol style="list-style-type: none"> <li>(1) Reviewing and adopting the overall strategic plans and programme for the Company and Group;</li> <li>(2) Overseeing and evaluating the conduct of business of the Company and Group;</li> <li>(3) Identifying principal risk and ensuring implementation of a proper risk management system to manage such risk. This includes reviewing procedures to identify the main risk associated with the Group's business and the implementation of appropriate systems to manage these risks;</li> <li>(4) Establishing a succession plan;</li> <li>(5) Reviewing the adequacy and the integrity of the management information and internal control systems of the Company and Group including systems for compliance with applicable laws, regulations, rules, directives and guidelines;</li> <li>(6) Monitoring Board composition, processes and performance with the guidance from the Nomination Committee;</li> <li>(7) Promote better investor relations and shareholders' communications;</li> <li>(8) Ensure that the Group's vision, mission, objectives and shareholders' interest are met;</li> <li>(9) Establish such committees, policies and procedures as required to effectively discharge the Board's roles and responsibilities;</li> <li>(10) Monitoring and reviewing policies and processes relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards;</li> <li>(11) Ensure that the Group has the appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility; and</li> </ol> |

|  |  |
|--|--|
|  | <p>(12) Performs such other functions as are prescribed by law or are assigned to the Board.</p> <p><b>b. Matters reserved for the Board</b></p> <p>The following are matters which are specifically reserved for the Board:-</p> <ol style="list-style-type: none"> <li>(1) Appointment of a Chairman of the Board of Directors and Company;</li> <li>(2) Appointment/removal of Directors;</li> <li>(3) Appointment and removal of Company Secretary;</li> <li>(4) Establishment of Board committees, their membership and delegated authorities;</li> <li>(5) Approval of interim dividend and recommendation of final dividend for shareholders' approval;</li> <li>(6) Approval of annual budgets including capital expenditure and monitoring against actual performance, including variance reporting;</li> <li>(7) Approval of corporate plan and programme;</li> <li>(8) Approval of new ventures and businesses;</li> <li>(9) Approval of material acquisitions and disposals of undertakings and properties;</li> <li>(10) Approval of the limits of authority for the Company and Group;</li> <li>(11) Approval of the Audited Financial Statements;</li> <li>(12) Calling of meetings of shareholders;</li> <li>(13) Review of corporate governance principles and policies;</li> <li>(14) Formulate direction and strategy, including a review of such exercise;</li> <li>(15) Assessing risk management issues and resolution;</li> <li>(16) Formulating and monitoring of key company policies;</li> <li>(17) Evaluating senior management's performance;</li> <li>(18) Determining corporate disclosure and announcements;\Maintaining investor and stakeholder relations;</li> <li>(19) Deliberate on all litigation matters that may be instituted against the Company and on such litigation actions that the Company may take against any third party;</li> <li>(20) Review of whistleblowing reports if applicable; and</li> <li>(21) Any other specific matters as may brought to the Board from time to time.</li> </ol> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

| Application  | Applied   |
|--|---|
| <p><b>Explanation on application of the practice</b></p> | <p>The Directors are guided by the Code of Ethics as stipulated in part of the Board Charter as published in the website <a href="http://www.fehb.com.my">www.fehb.com.my</a></p> <p>Board members are required to observe the Directors' Code of Conduct and Ethics ("the Code") as follows:</p> <ol style="list-style-type: none"> <li>(1) Compliance at all times with the Code and the Board Charter;</li> <li>(2) Observe high standards of Corporate Governance at all times;</li> <li>(3) Adhere to the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership;</li> <li>(4) Will act honestly, in good faith and in the best interest of the Company and Group;</li> <li>(5) Owe a fiduciary duty to the Company and Group as a whole;</li> <li>(6) Have a duty to practice due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;</li> <li>(7) Will undertake diligent analysis of proposals placed before the Board;</li> <li>(8) Will act with a level of skill expected from Directors of a public listed company;</li> <li>(9) Will use the authorities of office for appropriate purpose in the best interest of the Company and Group as a whole;</li> <li>(10) Will demonstrate commercial wisdom in decision making;</li> <li>(11) Will not make improper use of information acquired as Directors;</li> <li>(12) Will not disclose non-public information except where disclosure is authorized by the Board or legally mandated;</li> <li>(13) Will not use price sensitive non-public information, which can affect the price of the securities of the Company and/or related listed companies when it becomes publicly known ("Inside Information"), for personal benefits. The Board will not trade in securities or provide information to others to trade in securities of the Company and/or related listed companies until the Inside Information is publicly released. The Board will also not trade in securities in any other companies where they have Inside Information which they obtain in the performance of their duties;</li> <li>(14) Will keep confidential information received in the course of the exercise of their duties and recognize that such information remains the property of the Company and Group and that it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorized by the Board, or is required by law;</li> <li>(15) Will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company and Group;</li> </ol> |

|  |   |
|--|---|
|  | <p>(16) Will not take advantage of the Company and Group’s property or use such property for personal gain or to compete with the Company and Group;</p> <p>(17) Will protect and ensure the efficient use of the Company or Group’s assets for legitimate business purposes;</p> <p>(18) Will disclose to the Board any interests which conflict with the interest of the Company and Group and will comply with the guidelines set out in the paragraph 12 entitled “Declaration of Interest” as stipulated in the Board Charter;</p> <p>(19) Will make reasonable enquiries as to whether the Company and Group is operating efficiently, effectively and legally towards achieving its goals;</p> <p>(20) Will not engage in conduct likely to bring discredit upon the Company and Group. The Board will make available their specific expertise as required from time to time to the Company and Group. The Board will encourage fair dealing by all employees with the Company and Group’s customers, suppliers, contractors, competitors and other employees;</p> <p>(21) Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace;</p> <p>(22) Should at all time promote professionalism and improve the competency of management and employees of the Company and Group;</p> <p>(23) Should ensure effective use of natural resources, and improve quality of life by promoting corporate social responsibilities. Should be proactive to the need of the community and to assist in society-related programmed in line with the aspirations of the concept of “Caring Society” adopted by the Company; and</p> <p>(24) Have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Charter.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

## Practice 3.2

The board establishes reviews and together with management implements policies and procedures on whistleblowing.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The Company has established a Whistleblower Policy in response to Whistleblower Protection Act 2010 which could be reviewed in detail at our website <a href="http://www.fehb.com.my">www.fehb.com.my</a>. The Group's Whistleblowing Policy established in 2016 and was further revised in 2019 provides an avenue for employees and stakeholders dealing with the Group with proper procedure to disclose or raise genuine concerns on possible improprieties, improper conduct or other malpractices within the Group. It gives an appropriate communication and feedback channel which facilitates whistleblowing in a transparent and confidential manner.</p> <p>The purpose of this Policy is to:-</p> <ul style="list-style-type: none"> <li>(a) promote the importance of detecting Improper Conduct;</li> <li>(b) encourage the reporting of Improper Conduct and any other matters that may cause financial or non-financial loss to FEHB or tarnish the reputation of FEHB; and</li> <li>(c) help to protect people who report Improper Conduct in good faith from discrimination, harassment and retaliation.</li> </ul> <p>The Company has also established an Anti-Bribery and Anti-Corruption Policy ("Policy") in complying with the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("the Acts"). The Group has taken reasonable and appropriate measures to ensure that its businesses do not participate in corrupt activities for its advantage or benefit. The Policy which was approved by the Board on 24 February 2020 sets out the parameters to prevent the occurrence of bribery and corrupt practices in relation to the business of the Group. The Policy is supplemental to and shall be read in conjunction with the Group's Whistleblower Policy.</p> <p>The purpose of this Policy is to:-</p> <ul style="list-style-type: none"> <li>(a) to provide information and guidance to the Directors and employees on standard of behavior to which they must adhere to and how to recognize as well as deal with bribery and corruption; and</li> <li>(b) to ensure observance and compliance with all applicable laws, rules and regulations to which they are bound to observe in the performance of the Directors and employees' duties.</li> </ul> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises majority independent directors.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | The current Board consists of six (6) Non-Executive Directors and two (2) Executive Directors i.e. Group Executive Chairman and Senior Executive Director, Plantations & Milling, with two (2) of the eight (8) 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. Additional Independent Director will be appointed in due time. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | 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 Cik Sharina Binti Bahrin, Miss Ng Yee Kim, Encik Khairul Azahar Bin Ariffin, Mr Ng Say Pin , YH Dato' Dr Ahmad Bin Aman, Encik Hashim Naina Merican Bin Yahaya Merican and YH Dato' Tan Bing Hua.<br><br>None of the existing Independent Directors had exceeded nine (9) year service. |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |



## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

| Application  | Applied   |
|--|---|
| Explanation on application of the practice   | None of the Independent Directors had exceeded the nine year service. |
| Explanation for departure  | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| Measure  | NA  |
| Time frame   | NA  |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members and senior management.<br>In addition, the Group believes it is utmost important that the Board and senior management is comprising the best qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgment to ensure that the Board functions effectively. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The Board acknowledges the important of boardroom diversity and the establishment of a gender diversity policy. Despite no specific targets being set in relation to boardroom diversity, the Board is committed to improving boardroom diversity in terms of gender. Hence, the Board will consider the appointment of women directors as and when circumstances permit. The Board will take steps to nurture suitable and potential candidates.</p> <p>On the other hand, women are well represented in the Senior Management of FEHB which now exceeds 30% of the Senior Management Group.</p> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | For any vacant position in the future, the Board when sourcing for suitable candidates, consideration is given to identify suitable qualified women candidates.  |
| <b>Time frame</b>  | As and when required   |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

| Application  | Departure   |
|--|---|
| <b>Explanation on application of the practice</b>  | NA  |
| <b>Explanation for departure</b>   | The Board and Nomination Committee did not utilise independent sources as the management understands the industry better and would be in the best position to look for potential candidates with background which fits the criteria's requirements. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | In line with the MCCG, apart from referrals from Directors, major shareholders and management, the Board is open to utilising independent sources to identify suitably qualified candidates where necessary.  |
| <b>Time frame</b>  | As and when required  |

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The Nomination Committee (“NC”) comprises the following members:-</p> <p><b>YH Dato’ Tan Bing Hua (Chairman)</b> - Resigned with effect 31 March 2020<br/><i>Independent, Non-Executive Director</i></p> <p><b>Mr Tee Kim Tee @ Tee Ching Tee</b><br/><i>Non-Independent, Non-Executive Director</i></p> <p><b>Encik Nik Mohamed Zaki Bin Nik Yusoff</b><br/><i>Independent, Non-Executive Director</i></p> <p>The composition of NC from diverse background ensures that the duties and responsibilities are carried out effectively. The NC during the year 2019 was chaired by Senior Independent Director, YH Dato’ Tan Bing Hua that resigned with effect 31 March 2020.</p> <p>The Board is currently identifying additional members and would be filled in due time.</p> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>The NC assists the Board in assessing the effectiveness of the Board as a whole, the Board committees as well as the performance of each Director. There is also a peer assessment and self-assessment of individual directors.</p> <p>The results of the assessment and areas which require improvement were compiled and reviewed by the NC which were then submitted together with its recommendation to the Board for consideration and approval. Overall, the Board is satisfied with the performance, roles and responsibilities of the Directors. The Board identified key areas that require enhancement and other areas where the Board could further solidify its strength. The Board would consider engaging independent experts periodically to facilitate the objective and conduct board evaluations, as stipulated within the Board Charter if needed.</p> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>The Company has in place a remuneration framework in determining the remuneration of the Directors and Senior Management which is designed to enable the Company to attract and retain experienced and knowledgeable individuals of the calibre needed to support the Company's operations and expansion plans in line with its mission of delivering the best return to its shareholders.</p> <p>The Remuneration Committee ("RC") recommends to the Board the remuneration package for the Executive Directors which is structured on the basis of linking rewards to corporate and individual performance.</p> <p>The remuneration package of the Non Executive Directors ("NED") is determined by the Board as a whole on the recommendation of the RC. The NEDs are remunerated by way of fees and allowances. Remuneration payable to the Directors, including any reviews of remuneration, is subject to shareholders' approval at the AGM.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | <p>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 one (1) meeting.</p> <p>The Remuneration Committee met once in the year under review to evaluate the remuneration for the Board and Senior Management. The Remuneration package is structured on the basis of linking rewards to financial and individual performance.</p> <p>The Terms of Reference is disclosed at <a href="http://www.fehb.com.my">www.fehb.com.my</a></p> |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |



## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| Application                                       | Applied   |                    |                                      |                                      |                                    |
|---|---|--------------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Explanation on application of the practice</b> | The detail of the Remuneration for the Directors for the financial year ended 31 December 2019 are as follows:- |                    |                                      |                                      |                                    |
|   | <b>Group</b>  | <b>Fees<br/>RM</b> | <b>Meeting<br/>Allowances<br/>RM</b> | <b>Salaries and<br/>Bonus<br/>RM</b> | <b>Other<br/>Emoluments<br/>RM</b> |
|   | <b><u>Group Executive Chairman</u></b>  |                    |                                      |                                      |                                    |
|   | YH Dato' Sri Kamaruddin Bin Mohammed  | 385,000            | 144,900                              | 1,053,000                            | 28,000                             |
|   | <b><u>Senior Executive Director</u></b>   |                    |                                      |                                      |                                    |
|   | Mr Tee Cheng Hua  | 270,000            | 101,000                              | 775,325                              | 28,000                             |
|   | <b><u>Non-Executive Directors</u></b>   |                    |                                      |                                      |                                    |
|   | YH Dato' Suhaimi Bin Mohd Yunus   | 32,060             | 3,000                                | -                                    | -                                  |
|   | YH Dato' Jamaluddin Bin Abd Majid   | 65,000             | 13,500                               | -                                    | -                                  |
|   | YH Datuk Mohd Afrizan Bin Husain  | 65,000             | 47,500                               | -                                    | -                                  |
|   | Mr Tee Kim Tee @ Tee Ching Tee  | 240,000            | 115,100                              | 338,900                              | -                                  |
|   | Mr Tee Lip Teng   | 65,000             | 26,700                               | -                                    | -                                  |
|   | Encik Nik Mohamed Zaki Bin Nik Yusoff   | 65,000             | 55,400                               | -                                    | -                                  |
| YH Dato' Tan Bing Hua                             | 65,000  | 56,000             | -                                    | -                                    |                                    |
| YH Dato' Indera Wan Bakri Bin Wan Ismail          | 16,030  | 1,500              | -                                    | -                                    |                                    |

|  | <b>Company</b>                           | <b>Fees<br/>RM</b> | <b>Meeting<br/>Allowances<br/>RM</b> | <b>Salaries and<br/>Bonus<br/>RM</b> | <b>Other<br/>Emoluments<br/>RM</b> |
|--|--|--------------------|--------------------------------------|--------------------------------------|------------------------------------|
|  | <b><u>Group Executive Chairman</u></b>   |                    |                                      |                                      |                                    |
|  | YH Dato' Sri Kamaruddin Bin Mohammed     | 145,000            | 44,900                               | 1,053,000                            | 28,000                             |
|  | <b><u>Senior Executive Director</u></b>  |                    |                                      |                                      |                                    |
|  | Mr Tee Cheng Hua                         | 65,000             | 19,500                               | 436,425                              | 28,000                             |
|  | <b><u>Non-Executive Directors</u></b>    |                    |                                      |                                      |                                    |
|  | YH Dato' Suhaimi Bin Mohd Yunus          | 32,060             | 3,000                                | -                                    | -                                  |
|  | YH Dato' Jamaluddin Bin Abd Majid        | 65,000             | 13,500                               | -                                    | -                                  |
|  | YH Datuk Mohd Afrizan Bin Husain         | 65,000             | 47,500                               | -                                    | -                                  |
|  | Mr Tee Kim Tee @ Tee Ching Tee           | 65,000             | 41,100                               | -                                    | -                                  |
|  | Mr Tee Lip Teng                          | 65,000             | 26,700                               | -                                    | -                                  |
|  | Encik Nik Mohamed Zaki Bin Nik Yusoff    | 65,000             | 55,400                               | -                                    | -                                  |
|  | YH Dato' Tan Bing Hua                    | 65,000             | 56,000                               | -                                    | -                                  |
|  | YH Dato' Indera Wan Bakri Bin Wan Ismail | 16,030             | 1,500                                | -                                    | -                                  |
| <b>Explanation for departure</b>   | NA                                       |                    |                                      |                                      |                                    |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |                    |                                      |                                      |                                    |
| <b>Measure</b>   | NA                                       |                    |                                      |                                      |                                    |
| <b>Time frame</b>  | NA                                       |                    |                                      |                                      |                                    |

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.00.

| <b>Application</b>   | <b>Departure</b>  |
|--|---|
| <b>Explanation on application of the practice</b>  | NA  |
| <b>Explanation for departure</b>   | So as to maintain confidentiality and sensitivity of remuneration and other emoluments of Senior Management on a named basis, FEHB departs from Practice 7.2 and 7.3 of the MCCG. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

| <b>Application</b>   | <b>Departure</b>  |
|--|---|
| <b>Explanation on application of the practice</b>  | NA  |
| <b>Explanation for departure</b>   | So as to maintain confidentiality and sensitivity of remuneration and other emoluments of Senior Management on a named basis, FEHB departs from Practice 7.2 and 7.3 of the MCCG. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | The member of Audit Committee is as follows:-<br><br><b>YH Datuk Mohd Afrizan Bin Husain</b><br><i>Independent, Non-Executive Director</i><br><br><b>Encik Nik Mohamed Zaki Bin Nik Yusoff</b><br><i>Independent, Non-Executive Director</i><br><br><b>YH Dato' Tan Bing Hua</b> - Resigned with effect 31 March 2020<br><i>Independent, Non-Executive Director</i><br><br><b>Mr Tee Lip Teng</b> - Resigned with effect 29 April 2020<br><i>Non-Independent, Non-Executive Director</i><br><br>The vacancy will be filled in due time. |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

| <b>Application</b>   | <b>Applied</b>                                       |
|--|--|
| <b>Explanation on application of the practice</b>  | No appointment had been made from key audit partner. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | 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. |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>The member is as follows:-</p> <p><b>YH Datuk Mohd Afrizan Bin Husain</b><br/><i>Independent, Non-Executive Director</i></p> <p><b>Encik Nik Mohamed Zaki Bin Nik Yusoff</b><br/><i>Independent, Non-Executive Director</i></p> <p><b>YH Dato' Tan Bing Hua</b> - Resigned with effect 31 March 2020<br/><i>Independent, Non-Executive Director</i></p> <p><b>Mr Tee Lip Teng</b> - Resigned with effect 29 April 2020<br/><i>Non-Independent, Non-Executive Director</i></p> <p>The vacancy will be filled in due time.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Time frame</b>  | NA  |



## Intended Outcome

There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

| Application                                       | Applied  |
|---|--|
| <b>Explanation on application of the practice</b> | <p>The members of the Audit Committee comprised at least one member with the requisite accounting qualification based on the MMLR. Members of the Committee are financial literate. They continuously keep themselves abreast with the latest development in the new accounting and auditing standards and the impact it may have on the Group through briefings by the management and the external auditors.</p> <p>There was a private session held on 20 February 2019 with the external auditors without the presence of management to discuss on issues and significant matters that the external auditors wished to raise. The external and internal auditors also met on 24 February 2020 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. The Company Secretaries act as Secretaries of the Committee. Minutes of each meeting are kept and circulated to each Board member. The Chairman of the Committee reports on principal matters deliberated at each meeting to the Board.</p> <p>Among the duties and responsibilities of the Committee are as follows:-</p> <p>1. Financial Reporting</p> <p>(a) To review the quarterly results and year-end financial statements of the Company and Group, and to recommend the same to the Board for approval, focusing particularly on the following:-</p> <ul style="list-style-type: none"><li>• any changes in accounting policies and practices;</li><li>• significant adjustments arising from the audit;</li><li>• the going concern assumption;</li><li>• significant and unusual events;</li><li>• compliance with accounting standards, Bursa Malaysia Securities Berhad and other legal-requirements; and</li><li>• announcements of financial results to Bursa Malaysia Securities Berhad and dividend payments.</li></ul> <p>(b) To obtain explanations from management for unusual variances in the Company's annual financial statements from year to year, and review annually the independent auditors' letter of the recommendations to management and management's response.</p> <p>(c) To review with the external and internal auditors whether the employees of the Group have given appropriate assistance in discharging their duties.</p> <p>(d) To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.</p> <p>(e) To consider and examine such other matters as the Board consider appropriate and beneficial.</p> |

|  |  |                                       |  |
|--|--|---------------------------------------|--|
|  | The Company maintains a policy for Directors who are part of the Audit Committee members to receive trainings at Company's expense. The courses and training programmes attended by Directors in 2019 is as follow:- |                                       |  |
|  | <b>No</b>  | <b>Name</b>                           | <b>Course Attended</b>   |
|  | 1.   | YH Datuk Mohd Afrizan Bin Husain      | MFRS 15 - Revenue From Contract with Customer<br>Malaysian Tax Conference<br>Audit Workshop on Audit Guide for Practitioners and Illustrative Audit Working Papers<br>Parker Randall International Conference<br>Malaysian Insolvency Conference |
|  |  |                                       | 3 January 2019<br>3 - 4 April 2019<br>14 - 15 October 2019<br>24 - 25 October 2019<br>29 - 30 October 2019   |
|  | 2.   | Encik Nik Mohamed Zaki Bin Nik Yusoff | Cyber Security in the Boardroom<br>Invitation to the Securities Commission<br>Malaysia's Audit Oversight Board Conversation with Audit Committees  |
|  |  |                                       | 27 June 2019<br>8 November 2019  |
|  | 3.   | YH Dato' Tan Bing Hua                 | Cyber Security in the Boardroom<br>Financial Language in the Boardroom   |
|  |  |                                       | 27 June 2019<br>2 October 2019   |
|  | 4.   | Mr Tee Lip Teng                       | MPOC Reach & Remind Friends of Industry 2019<br>Palm Oil Economic Review & Outlook Seminar 2019<br>CPOPC Business Forum<br>Palm & Lauric Oil Price Outlook Conference and Exhibition 2019  |
|  |  |                                       | 18 January 2019<br>17 January 2019<br>12 February 2019<br>4 - 6 March 2019   |
| <b>Explanation for departure</b>   | NA   |                                       |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |                                       |  |
| <b>Measure</b>   | NA   |                                       |  |
| <b>Time frame</b>  | NA   |                                       |  |

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>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.</p> <p>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.</p> <p>The Audit Committee of the Group 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.</p> <p>The Risk Management Committee is also established to assist the Board in discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework includes the necessary policies and mechanism to manage the overall risk exposures of the Group.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control in the Annual Report of the Company.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| Application                                       | Applied  |
|---|--|
| <b>Explanation on application of the practice</b> | <p>The Company has established a separate stand-alone Risk Management Committee effective January 2020 (the Committee was previously known as Audit and Risk Management Committee). The primary objective of the Risk Management Committee is to assist the Board in the discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework includes the necessary policies and mechanism to manage the overall risk exposures of the Group.</p> <p>The Risk Management Committee comprises Non-Executive members of the Board.</p> <p><b>Risk Management Framework and Internal Controls</b></p> <p>The Board with the assistance of the Risk Management Committee and 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.</p> <p>The top six (6) business risks that were rated as High or Significant are as follows:-</p> <ol style="list-style-type: none"><li>(1) Over-dependence on foreign workers;</li><li>(2) Fluctuation of crude palm oil prices;</li><li>(3) Sustainability issues - Negative campaign about oil palm development;</li><li>(4) Palm disease - Ganoderma; and</li><li>(5) Increase in price of inputs.</li><li>(6) COVID-19 Pandemic Threat</li></ol> <p>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.</p> <p>The Internal Audit Function reviews the operational procedures and processes to ensure the effectiveness and integrity of the Group's internal control system.</p> |

|  |    |
|--|----|
| <b>Explanation for departure</b>   | NA |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |    |
| <b>Measure</b>   | NA |
| <b>Time frame</b>  | NA |

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>The Board had established a Risk Management Committee comprising the following:-</p> <p><b>YH Dato' Suhaimi Bin Mohd Yunus</b><br/><i>Non-Independent, Non-Executive Director</i></p> <p><b>YH Datuk Mohd Afrizan Bin Husain</b><br/><i>Independent, Non-Executive Director</i></p> <p><b>YH Dato' Tan Bing Hua</b> - Resigned with effect 31 March 2020<br/><i>Independent, Non-Executive Director</i></p> <p>The vacancy will be filled in due time.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | 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. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | The Internal Audit Department is headed by Encik Norfadli Bin Mahrom. His qualification is as disclosed in the Company's Annual Report.<br><br>Internal Audit Department had adequate resources to carry out its duties during the year 2019. 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. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |



## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

| Application  | Applied   |
|--|---|
| <b>Explanation on application of the practice</b>  | <p>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.</p> <p>The Company’s e-mail address <a href="mailto:fareast@fareh.po.my">fareast@fareh.po.my</a> is one of the means to communicate with the Company. The Board has appointed Encik Nik Mohamed Zaki Bin Nik Yusoff as Senior Independent Non-Executive Director as a Director responsible for Investor Relationship. Any queries with regard to the Group may be communicated to him. His e-mail address is <a href="mailto:nikmohamedzaki@fareh.po.my">nikmohamedzaki@fareh.po.my</a>. Shareholders may also contact the Company Secretaries or visit our website <a href="http://www.fehb.com.my">www.fehb.com.my</a> for further information.</p> |
| <b>Explanation for departure</b>   | NA  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |
| <b>Measure</b>   | NA  |
| <b>Time frame</b>  | NA  |

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

## Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | The Directors recognised 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. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | The Notice of Meeting is to be circulated on 18 June 2020 and the AGM's date is scheduled on 15 July 2020. |
| <b>Explanation for departure</b>   | The notice of meeting includes the meeting day (28 days).  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

| <b>Application</b>   | <b>Applied</b>   |
|--|--|
| <b>Explanation on application of the practice</b>  | All the Board Members normally attended the General Meetings unless due to unforeseen circumstances. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

| Application  | Applied  |
|--|--|
| <b>Explanation on application of the practice</b>  | The Company holds its general meeting in Kuantan, Pahang at a centrally accessible location. Adequate notice of meeting is given to all shareholders and shareholders who are unable to make the journey and attend the general meeting may submit the proxy forms to the Company to enable their proxy to attend, participate, speak and to vote on their behalf at the general meetings. Shareholders can also submit any question or query prior to the general meetings. |
| <b>Explanation for departure</b>   | NA   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |
| <b>Measure</b>   | NA   |
| <b>Time frame</b>  | NA   |

**SECTION B - DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK  
NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad has only perused this Circular in respect of the Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a revenue or trading nature on a limited review basis prior to its issuance.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**Far East Holdings Berhad**

197301001753 (14809-W)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RRPT**

The above proposal will be tabled as Special Business at the Company's Forty-Sixth Annual General Meeting ("AGM"). Notice of the Forty-Sixth AGM of Far East Holdings Berhad to be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on Wednesday, 15 July 2020 at 10.00 a.m. together with the Form of Proxy are set out in the Annual Report of the Company for the financial year ended 31 December 2019.

A Proxy Form is enclosed which you are urged to complete and return in accordance with the instructions thereon as soon as possible so as to arrive at our registered office at Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur not less than twenty four (24) hours before the time set for holding the meeting. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

|   |   |                            |
|---|---|----------------------------|
| Last date and time for lodging the Form of Proxy        | : | 14 July 2020 at 10.00 a.m. |
| Date and time of the Forty-Sixth Annual General Meeting | : | 15 July 2020 at 10.00 a.m. |

## DEFINITIONS

In this Circular and the accompanying appendices, the following abbreviations shall have the following meanings unless otherwise stated:

|                             |  |
|-----------------------------|--|
| “Act”                       | : The Malaysian Companies Act, 2016  |
| “AGM”                       | : Annual General Meeting   |
| “Board”                     | : The Board of Directors of FEHB   |
| “BSOP”                      | : B.S. Oil Palm Plantations Sdn. Bhd. [Company No.: 197101000815 (11201-W)], a wholly-owned subsidiary of FEHB   |
| “Bursa Securities”          | : Bursa Malaysia Securities Berhad<br>[Company No.: 200301033577 (635998-W)]   |
| “Circular”                  | : This Circular is dated 18 June 2020 in relation to the Proposed Shareholders’ Mandate  |
| “CPO”                       | : Crude Palm Oil   |
| “DOPP”                      | : Dawn Oil Palm Plantations Sdn. Bhd. [Company No. 197101000854 (11200-X)], a wholly-owned subsidiary of FEHB  |
| “Directors”                 | : Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a Director of Company or any other Company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding Company   |
| “EGM”                       | : Extraordinary General Meeting  |
| “EPOM”                      | : Endau Palm Oil Mill Sdn. Bhd.<br>[Company No.: 199701035358 (450858-P)]  |
| “FEHB” or “the Company”     | : Far East Holdings Berhad<br>[Company No.: 197301001753 (14809-W)]  |
| “FEHB Group” or “the Group” | : FEHB and its subsidiary Companies  |
| “FFB”                       | : Fresh Fruit Bunches  |
| “FPSB”                      | : Future Prelude Sdn. Bhd. [Company No.: 200501031461 (713598-K)], a 47.17% associate of FEHB  |
| “KAOP”                      | : Kampong Aur Oil Palm Company (Sdn.) Berhad [Company No.: 196701000033 (7017-X)], a 40.61% associate of FEHB  |
| “Kilang Sawira Makmur”      | : Kilang Sawira Makmur Sdn. Bhd.<br>[Company No.: 199301027188 (281926-P)]   |
| “KKSBB”                     | : Kilang Kosfarm Sdn. Bhd. [Company No.: 198901012012 (189319-K)], a 51% owned subsidiary of FEHB  |
| “KOSMA”                     | : Koperasi Serbausaha Makmur Berhad, a Co-operative Society established under the Co-operative Society Act 1993  |
| “PKPP”                      | : Perbadanan Kemajuan Pertanian Negeri Pahang  |
| “LKPP Corp.”                | : LKPP Corporation Sdn. Bhd.<br>[Company No.: 199001008199 (199769-V)]   |
| “LPD”                       | : Latest Practicable Date which is 31 May 2020 (being a date which is not more than 30 days prior to the date of the Circular)   |
| “Major Shareholder”         | : A person who has an interest or interests in one or more voting shares in a Company and the number or the aggregate number of those shares, is:-<br>(a) 10% or more of the total number of voting shares in the Company; or<br>(b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.<br>For the purpose of this definition, “interest in shares” shall have the same meaning given in Section 8 of the Act<br>Includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a major shareholder of FEHB or any other Company which is its subsidiary or holding Company |
| “MPOB”                      | : Malaysian Palm Oil Board   |
| “MPOM”                      | : Merchong Palm Oil Mill Sdn. Bhd.<br>[Company No.: 201401012241 (1088321-T)]  |
| “PGC”                       | : PGC Management Services Sdn. Bhd.<br>[Company No.: 200401010079 (648582-P)]  |



## DEFINITIONS (Cont'd)

|   |   |
|---|---|
| “PPOM”  | : Prosper Palm Oil Mill Sdn. Berhad<br>[Company No.: 197801000199 (37206-D)]  |
| “PPOP”  | : Prosper Palm Oil Products Marketing Sdn. Bhd.<br>[Company No.: 199401026380 (312061-M)]   |
| “PTSB”  | : Prosper Trading Sdn. Bhd.<br>[Company No.: 198501012107 (144561-U)]   |
| “Person Connected”                              | : This shall have the same meaning as in Chapter 1 of the Listing Requirements  |
| “Related party(ies)”                            | : A Director, Major Shareholder or a Person Connected with such Director or Major Shareholder who is interested in a RRPTs. For the purpose of this definition, “Director” and “Major Shareholders” shall have the same meanings as above   |
| “Recurrent Related Party Transactions or RRPTs” | : Recurrent related party transactions of a revenue or trading nature which is necessary for the day to day operations and is entered into by the Company or its subsidiaries in the ordinary course of business which involves the interest, direct or indirect, of a Related Party(ies) |
| “Related Party Transaction(s)”                  | : Transaction(s) entered into by FEHB or its subsidiaries which involve(s) the interest, direct or indirect, of Related Party(ies)  |
| “RM” and “sen”                                  | : Ringgit Malaysia and sen respectively   |
| “RPOM”  | : Rompin Palm Oil Mill Sdn. Bhd.<br>[Company No.: 199401002833 (288511-T)]  |
| “SC”  | : Securities Commission   |
| “WWSB”  | : Wujud Wawasan Sdn. Bhd.<br>[Company No.: 200501034093 (716234-P)]   |
| “2019 Mandate”                                  | : The Shareholders’ Mandate obtained on 19 June 2019 for the FEHB Group to enter into Recurrent Related Party Transactions  |
| “2020 Mandate”                                  | : The Proposed Shareholders’ Mandate to be obtained at the Company’s forthcoming AGM for the FEHB Group to enter into Recurrent Related Party Transactions and the Shareholders’ Mandate for the RRPT is from the forthcoming AGM until the next AGM                                      |

References to “our” in this Circular are to our Company. References to the “Group” are to our Company and our subsidiaries. All references to “you” in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, if applicable, include the plural and vice versa and words denoting the masculine gender shall, if applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any references in this Circular to the provisions of any enactment, statute, rules, regulation, rules of stock exchange or guideline shall (when the context admits) be construed as a reference to the provisions of such enactment, statute, rules, regulation, rules of stock exchange or guideline (as the case may be) as modified by any written law or (if applicable) amendments to the enactment, statute, rules, regulation, rules of stock exchange or guideline for the time being in force.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof, are due to rounding.

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**FURTHER INFORMATION**

**APPENDIX I - ADDITIONAL INFORMATION**

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## Far East Holdings Berhad

197301001753 (14809-W)  
(Incorporated in Malaysia)

**Registered Office**  
Far East Holdings Berhad  
Level 23, Menara Zenith  
Jalan Putra Square 6  
25200 Kuantan  
Pahang Darul Makmur

18 June 2020

### Board of Directors

|                                   |   |
|-----------------------------------|---|
| Dato' Sri Kamaruddin Bin Mohammed | (Non-Independent, Executive Director/Group Executive Chairman)      |
| Dato' Suhaimi Bin Mohd Yunus      | (Non-Independent, Non-Executive Director)                           |
| Dato' Jamaluddin Bin Abd Majid    | (Non-Independent, Non-Executive Director)                           |
| Datuk Mohd Afrizan Bin Husain     | (Independent, Non-Executive Director)                               |
| Tee Kim Tee @ Tee Ching Tee       | (Non-Independent, Non-Executive Director)                           |
| Tee Cheng Hua                     | (Non-Independent, Senior Executive Director, Plantations & Milling) |
| Nik Mohamed Zaki Bin Nik Yusoff   | (Independent, Non-Executive Director)                               |
| Tee Lip Teng                      | (Non-Independent, Non-Executive Director)                           |

### To the Shareholders of Far East Holdings Berhad

Dear Sirs/Madam,

#### **FAR EAST HOLDINGS BERHAD**

#### **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RRPT ("Proposed RRPT Mandate")**

### 1. INTRODUCTION

- 1.1 On 19 June 2019, the Company had at the Annual General Meeting, obtained a Shareholders' Mandate from its shareholders for the Company and/or its subsidiaries to enter into RRPT of a revenue or trading nature, which are necessary for FEHB Group's day to day operations and are in the ordinary course of business and on terms that are no more favourable to the Related Party than those generally available to the public.
- 1.2 FEHB had on 29 April 2020 announced that it proposed to seek the shareholders' approval at the forthcoming AGM to be convened in relation to the proposed renewal of the Shareholders' Mandate and new Shareholders' Mandate to allow FEHB Group to enter into RRPT provided that such transactions are made at arm's length, in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION RELATING TO THE RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE TO BE OBTAINED AND TO SET OUT THE VIEW OF YOUR BOARD AS WELLAS TO SEEK YOUR APPROVAL FOR THE RESOLUTION WHICH WILL BE TABLED AT THE FORTHCOMING AGM TO BE CONVENED. A NOTICE OF THE FORTY-SIXTH AGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HEREWITH IN THE ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Shareholders are advised to read the contents of this Circular carefully before voting on the relevant resolution to approve the renewal of Shareholders' Mandate and new Shareholders' Mandate.

## 2. DETAILS OF THE PROPOSED RRPT MANDATE

### 2.1 Introduction

At the last AGM held on 19 June 2019, the shareholders of the Company had approved the Shareholders' Mandate for the existing RRPT to allow the Company and/or its subsidiary Companies, in their normal course of business, to enter into Recurrent Related Party Transactions of a revenue or trading nature with related parties which are necessary for its day-to-day operations on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Pursuant to Paragraph 10.09(2), Part E of Chapter 10 of the Listing Requirements, the Company may seek a Shareholders' Mandate in respect of RRPT of a revenue nature, which are necessary for its day-to-day operations, subject to the following:-

- (i) The transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (ii) The Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1), Part E of Chapter 10 of the Listing Requirements;
- (iii) The Company's circular to shareholders for the Shareholders' Mandate includes the information as may be prescribed by Bursa Securities;
- (iv) In a meeting to obtain the Shareholders' Mandate, the relevant Related Party must comply with the following requirements:-
  - (a) a Related Party with any interest, direct or indirect ("Interested Related Party"), must not vote on the resolution in respect of the RPT;
  - (b) an Interested Related Party who is a director or major shareholder must ensure that Persons Connected with it abstain from voting on the resolution in respect of the RPT; and
  - (c) where the Interested Related Party is a Person Connected with a Director or Major Shareholder;

Such persons stated in paragraphs (b) and (c) above, as the case may be, must not vote on the resolution in respect of the RPT.

- (v) The Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

In complying with this requirement, the Board is now seeking a renewal of Shareholders' Mandate and new Shareholders' Mandate to authorise such transactions which are necessary for its day-to-day operation and are in the ordinary course of business.

Details of these RRPTs, which are in accordance with subparagraph 10.09(1) of the Listing Requirements, are set out in the ensuing sections.

### 2.2 Class of Related Parties

- 2.2.1 The principal activities of the Group are cultivation of oil palms, productions and sales of fresh fruit bunches crude palm oil and palm kernel and investment holdings. The principal activities of the Company's subsidiaries and its related Companies are disclosed below:-

| Name | Nature of Relationship   | Date and Place of Incorporation | Principal Activities                                   |
|------|--|---------------------------------|--|
| KKSB | FEHB directly holds 51%* equity interest in KKSB                               | 13.11.1989<br>Malaysia          | Operating of palm oil mill                             |
| WWSB | KKSB directly holds 51%* equity interest in WWSB                               | 29.11.2005<br>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<br>Malaysia          | Operating of palm kernel mill                          |
| PPOM | FEHB directly holds 40%* equity interest in PPOM                               | 13.01.1978<br>Malaysia          | Operating of palm oil mill and cultivation of oil palm |
| RPOM | PPOM directly holds 30%* equity interest in RPOM                               | 28.01.1994<br>Malaysia          | Operating of palm oil mill                             |

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

### 2.2 Class of Related Parties (Cont'd)

2.2.1 The principal activities of the Group are cultivation of oil palms, productions and sales of fresh fruit bunches crude palm oil and palm kernel and investment holdings. The principal activities of the Company's subsidiaries and its related Companies are disclosed below:- (Cont'd)

| Name                 | Nature of Relationship   | Date and Place of Incorporation                                  | Principal Activities   |
|----------------------|--|--|--|
| EPOM                 | PTSB directly holds 32%* equity interest in EPOM   | 23.10.1997<br>Malaysia   | Operating of palm oil mill   |
| PGC                  | KKSB directly holds 30%* equity interest in PGC  | 10.04.2004<br>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<br>Malaysia   | Trading and Marketing agent  |
| KOSMA                | KOSMA is a shareholder of WWSB that holds 49%* equity interest in WWSB   | 04.12.1967<br>(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<br>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<br>Malaysia   | Operating of palm oil mill   |
| FPSB                 | FEHB and PPOM directly hold 47.17% and 43.74% equity interest in FPSB respectively.  | 24.10.2005<br>Malaysia   | Manufacturing and exporting palm oil, fatty acids and chemicals compounds or derivatives |
| MPOM                 | EPOM and Insan Sejagat Sdn. Bhd. directly holds 60% and 15% equity interest in MPOM respectively.  | 09.04.2014<br>Malaysia   | Operating of palm oil mill   |

\* As at 29 May 2020

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

#### (i) 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                   |

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

## 2.2 Class of Related Parties (Cont'd)

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

## (ii) Purchases of fresh fruit bunches

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

## (iii) Sales of CPO

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

## (iv) Purchases of CPO

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

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

### 2.2 Class of Related Parties (Cont'd)

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

#### (v) Sales of Kernel

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

#### (vi) Purchases of Kernel

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

#### (vii) 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 |

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

## 2.2 Class of Related Parties (Cont'd)

2.2.3 The RRPTs for which approval is now being sought for the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM are as follows:-

| Related Party        | 2020 Mandate  |  | 2019 Mandate   |  |
|----------------------|---|--|--|--|
|                      | (A)   | (B)  | (C)  | (D)  |
|                      | Estimated value of transaction pursuant to 2020 Mandate**<br>RM'000 | Estimated value of transaction disclosed in 2019 Mandate<br>RM'000 | Actual value of transaction conducted pursuant to 2019 Mandate (as at LPD)<br>RM'000 | Deviation between values in (C) and (B)<br>% |
| FEHB                 | 151,094   | 325,498  | 63,744   | -80  |
| KKSB                 | 170,275   | 329,011  | 50,315   | -85  |
| WWSB                 | 7,202   | 50,703   | 6,480  | -87  |
| PPOM                 | 42,045  | 45,717   | 19,357   | -58  |
| RPOM                 | 72,871  | 92,688   | 21,501   | -77  |
| EPOM                 | 108,170   | 70,393   | 47,969   | -32  |
| Kilang Sawira Makmur | 136,305   | 157,223  | 19,570   | -88  |
| LKPP Corp.           | 3,166   | 71,204   | 1,048  | -99  |
| KOSMA                | 255,755   | 599,216  | 101,430  | -83  |
| PGC                  | 8,846   | 91,010   | 2,689  | -97  |
| PPOPM                | 10,379  | 113,299  | 4,153  | -96  |
| PTSB                 | 76,736  | 97,316   | 28,441   | -71  |
| FPSB                 | 336,466   | 354,688  | 100,063  | -72  |
| <b>Total</b>         | <b>1,379,310</b>  | <b>2,397,966</b>   | <b>466,760</b>   | <b>-81</b>                                   |

\*\* The estimated value of transaction pursuant to 2020 is based on the estimated value as per 2019 which were based on accounting records and other estimated amount. The estimated figures will vary with the fluctuation of oil palm prices and production during the year.

The validity period of the Proposed Shareholders' Mandate is disclosed in Section 3 of this Circular.

2.2.4 The proposed new Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature are as follows:-

## (i) Sales of fresh fruit bunches

| Related Party | Nature of Transaction        | Method of Pricing                       | Estimated Value of the RRPT (RM'000) |
|---------------|------------------------------|---|--------------------------------------|
| MPOM          | Sales of FFB by FEHB to MPOM | Based on forward sales and MPOB pricing | 178,392**                            |

## (ii) Purchases of CPO

| Related Party | Nature of Transaction                       | Method of Pricing           | Estimated Value of the RRPT (RM'000) |
|---------------|---|-----------------------------|--------------------------------------|
| MPOM          | Purchases of CPO by KKSB and WWSB from MPOM | Based on the contract price | 23,924**                             |

\*\* The estimated value of transaction pursuant to 2020 is based on the estimated value and will vary with the fluctuation of oil palm prices and production during the year.

2.2.5 There is no threshold for the approval of Recurrent Related Party Transactions within the listed issuer's Group of Companies.



## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

### 2.3 Amount Due and Owing Under Recurrent Related Party Transactions

The breakdown of the principal sum (without interest) for the total outstanding amount due and owing to the Group under the existing RRPT as per Section 2.2.1 of this Circular which exceeded the credit terms as at 31 December 2019 are as follows:-

#### (a) Receivables

| Company              | Outstanding Amount (RM'000)<br>1 year or less |
|----------------------|---|
| Kilang Sawira Makmur | 1,262   |
| LKPP Corp.           | 284   |
| RPOM                 | 143   |
| FPSB                 | 3,811   |
| EPOM                 | 134   |
| PPOM                 | 9,481   |
| <b>Total</b>         | <b>15,115</b>                                 |

#### (b) Payables

| Company      | Outstanding Amount (RM'000)<br>1 year or less |
|--------------|---|
| PPOM         | 125   |
| PGC          | 73  |
| EPOM         | 787   |
| <b>Total</b> | <b>985</b>                                    |

There were no late payment charges imposed by the Group on the above outstanding amounts as they were trade in nature. The management from time to time will discuss with the debtors for early settlement of the outstanding amounts. The Board of Directors is of the opinion that there will be no recoverability issues as the debtors are related parties with a long-standing business relationship with the Group and has proven to be creditworthy debtors with good payment records.

### 2.4 Directors' and Major Shareholders' Interests and Person Connected

The interested major shareholders and interested Directors for all the transactions above are as follows:-

#### Interested Major Shareholders:-

- PTSB<sup>a1</sup>
- PKPP<sup>a2</sup>

#### Interested Directors:-

- Dato' Sri Kamaruddin Bin Mohammed<sup>a3</sup>
- Dato' Suhaimi Bin Mohd Yunus<sup>a4</sup>
- Dato' Jamaluddin Bin Abd Majid<sup>a4</sup>
- Tee Kim Tee @ Tee Ching Tee<sup>a5</sup>
- Tee Cheng Hua<sup>a6</sup>
- Tee Lip Teng<sup>a7</sup>

#### Person Connected:-

- Dato' Asmin Binti Yahya<sup>a8</sup>

#### **Note:**

<sup>a1</sup> PTSB is a major shareholder of FEHB with equity interest of 23.73%<sup>b</sup> and is deemed interested party in the Proposed RRPT Mandate. PTSB holds 32% equity stake in EPOM. PPOM directly holds 49%<sup>b</sup> equity stake in KKSB, 40%<sup>b</sup> equity stake in PGC, 30% equity stake in RPOM, 30% equity stake in PPOPM and 44.67%<sup>b</sup> equity stake in PTSB.

<sup>a2</sup> PKPP is a major shareholder of FEHB with equity interest of 25.18%<sup>b</sup> and is deemed interested party in the Proposed RRPT Mandate. PKPP holds 100% equity stake in LKPP Corporation Sdn. Bhd.

<sup>a3</sup> Dato' Sri Kamaruddin Bin Mohammed is deemed interested party in the Proposed Renewal of Shareholders' Mandate, by virtue of his directorship and shareholding in FEHB, indirect interest in PGC and directorship in PKPP, KKSB, WWSB, Kilang Sawira Makmur, Cheekah-Kemayan Plantations Sdn. Bhd. and MPOM.

<sup>a4</sup> Dato' Suhaimi Bin Mohd Yunus and Dato' Jamaluddin Bin Abd Majid are deemed interested party in the Proposed RRPT Mandate by virtue of their positions as Directors representing PKPP in FEHB's Board.

<sup>a5</sup> Tee Kim Tee @ Tee Ching Tee is deemed interested party in the Proposed RRPT Mandate, by virtue of his directorship and shareholding in FEHB and his directorship in KKSB, PTSB, PPOM, WWSB, RPOM, Kilang Sawira Makmur, EPOM and MPOM.

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

### 2.4 Directors' and Major Shareholders' Interests and Person Connected (Cont'd)

- <sup>a6</sup> Tee Cheng Hua is deemed interested party in the Proposed RRPT Mandate, by virtue of his directorship and shareholding in FEHB and his directorship in KKSBB, PTSB, PPOM, WWSB, PGC, RPOM, Kilang Sawira Makmur, EPOM, FPSB and MPOM.
- <sup>a7</sup> Tee Lip Teng is deemed interested party in the Proposed RRPT Mandate, by virtue of his directorship and shareholding in FEHB and his directorship in FPSB and PPOPM. He is also an alternate Director to Mr Tee Cheng Hua in KKSBB, PTSB, PPOM, WWSB, PGC, RPOM, Kilang Sawira Makmur, EPOM and MPOM.
- <sup>a8</sup> Dato' Asmin Binti Yahya is the Chief Operating Officer of the Company and she is deemed interested party in the Proposed RRPT Mandate, by virtue of her directorship in KKSBB and FPSB.
- <sup>b</sup> As at 29 May 2020

### 2.5 Terms and Nature of the Recurrent Related Party Transactions

The Recurrent Related Party Transactions that will be covered by the Shareholders' Mandate relate to the sales of FFB, processing and sale of crude palm oil and palm kernel and management services by FEHB Group from the Mandated Related Parties.

The Recurrent Related Party Transactions will be made at arm's length on normal commercial terms which are no prejudicial to the interests of the shareholders of the Company, on terms no more favourable to the related party than those generally available to the public and on terms not to the detriment of the minority shareholders.

### 2.6 Disclosure and Review Procedures for the RRPTs

The review procedures for the RRPTs are as follows:-

- (i) A list of Mandated Related Parties will be prepared and the relevant companies will be notified that all RRPTs are required to be undertaken on an arm's length basis, on normal commercial terms which are not more prejudicial to the interests of the shareholders of the Company, on terms no more favourable to the related party than those generally available to the public and on terms not to the detriment of the minority shareholders;
- (ii) All RRPTs will be reviewed by the internal auditor and the management;
- (iii) A register will be maintained by the Company to record all RRPTs which are entered into pursuant to the Proposed RRPT Mandate;
- (iv) The annual internal audit plan shall incorporate a review of all RRPTs entered into pursuant to the Proposed RRPT Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- (v) At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar types of products/services and/or quantities. In the event the quotation or comparative pricing from unrelated third parties cannot be obtained (for instance, if there are no unrelated third party vendors/customers of similar products or services, or if the product/service is a proprietary item), the transaction price will be determined by those offered by/to other unrelated parties for substantially similar type of transactions and approved by the Board to ensure that the Recurrent Related Party Transactions are not detrimental to the Group;
- (vi) The Group has in place adequate procedures and processes to monitor, to track and to identify the RRPT in a timely and orderly manner;
- (vii) The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPTs have been complied with and the review shall be done on yearly basis at the end of the year;
- (viii) The Board and the Audit Committee have reviewed the procedures and shall continue to review the procedures as and when required. If a member of the Board or Audit Committee has an interest in the transaction to be reviewed by the Board or the Audit Committee as the case may be, he will abstain from any decision making by the Board or the Audit Committee in respect of that transaction;
- (ix) The transaction prices will be based on the arm's length transaction which are agreeable to all parties; and
- (x) A disclosure of the aggregate value of Recurrent Transactions conducted pursuant to the Shareholders' Mandate is made in the Annual Report of the Company; showing a breakdown of the aggregate value of the Recurrent Transactions made during the financial year, amongst others, based on the following information:-
  - (a) the type of the Recurrent Transactions made; and
  - (b) the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

## 2. DETAILS OF THE PROPOSED RRPT MANDATE (Cont'd)

### 2.7 Rationale for the Proposed RRPT Mandate

The RRPTs are necessary for the FEHB Group's day-to-day operation. The RRPTs are with Related Parties, are mainly involved in activities related to sales of FFB, processing and sale of crude palm oil and palm kernel and management services. It is envisaged that in the normal course of business of the FEHB Group, transactions in respect of goods or services with the Related Parties will occur with some degree of frequency from time to time and may arise at any time.

The Proposed RRPT Mandate will also accord the FEHB Group with the following benefits:-

- (i) flexibility and choice of parties to enter into such transactions, whether with Related Parties or non-Related Parties;
- (ii) facilitate transactions with Related Parties which are in the ordinary course of business of the FEHB Group undertaken at arm's length, based on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of minority shareholders;
- (iii) facilitate transactions with Related Parties where in an expeditious manner to meet business needs which are necessary for its day-to-day operations particularly business needs which are time sensitive in nature; and
- (iv) eliminate the need to announce and convene separate general meetings to seek Shareholders' Mandate for each transaction and as such, substantially reduce expenses, time and other resources associated with the making of announcements and convening of general meetings on an ad-hoc basis, improve administrative efficiency considerably and allow financial and manpower resources to be channelled to attain more productive objectives.

In addition to the above benefits, the Related Parties had also proven to be reliable in its delivery of services and products as well as fulfilling the quality expectations of the FEHB Group. Due to previous business dealings with the Related Parties, the Related Parties are familiar with Group's operations and are able to meet the Group's business requirements even when short notice is given. This has allowed the Group to benefit from sudden business opportunities that had arisen.

### 2.8 Statement by the Audit Committee

The Audit Committee comprises the following Members:-

|   | <b>Name of Members</b>          | <b>Designation</b> |
|---|---------------------------------|--------------------|
| 1 | Datuk Mohd Afrizan Bin Husain   | Chairman           |
| 2 | Nik Mohamed Zaki Bin Nik Yusoff | Member             |

The Audit Committee has seen and reviewed the procedures set out in the Section 2.6 above and is of the view that the existing guidelines and review procedures for related parties transactions are sufficient to ensure that such transactions will be carried out at arm's length, on normal commercial terms which are not prejudicial to the interests of the shareholders of the Company, on terms no more favourable to the related party than those generally available to the public and on terms not to the detriment of minority shareholders.

## 3. VALIDITY PERIOD OF THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate, if approved at the forthcoming AGM, will continue to be in force until:-

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless renewed by a resolution passed at the AGM, the authority is again renewed;
- (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or EGM,

whichever is earlier.

Thereafter, approval from the shareholders for renewal of the mandate will be sought at each subsequent AGM of the Company.

## 4. FINANCIAL EFFECTS OF THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate will not have any financial effect on the issued share capital, earnings, substantial shareholding, Directors' shareholding, dividends and net assets of our Group.

## 5. APPROVAL REQUIRED

The Proposed RRPT Mandate is subject to the approval being obtained from the shareholders of FEHB at the forthcoming AGM.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS AND PERSON CONNECTED

### 6.1 Major Shareholders of FEHB and persons connected to them

Save as disclosed below, as at 29 May 2020 none of the other major shareholders of FEHB and/or persons connected with them, has any direct or indirect interest in the Proposed RRPT Mandate.

PKPP and PTSB are major shareholders by virtue of their 25.18% and 23.73% shareholdings in FEHB respectively.

PKPP and PTSB being major shareholders have undertaken that they shall ensure that the persons connected with PKPP and PTSB will abstain from voting at the forthcoming AGM on the Proposed RRPT Mandate.

Accordingly, PKPP and PTSB will abstain from voting at the forthcoming AGM in respect of their direct and indirect shareholdings on the Proposed RRPT Mandate.

The shareholding of PKPP and PTSB in FEHB as at 29 May 2020 is as follow:-

| Major Shareholder | Total No. Of Ordinary Shares |       |          |   |
|-------------------|------------------------------|-------|----------|---|
|                   | Direct                       | %     | Indirect | % |
| PKPP              | 149,523,360                  | 25.18 | -        | - |
| PTSB              | 140,922,264                  | 23.73 | -        | - |

### 6.2 Directors of FEHB and persons connected to them

Save as disclosed below, none of the other Directors of FEHB or persons connected to them have any interest, direct or indirect in the Proposed RRPT Mandate.

Dato' Sri Kamaruddin Bin Mohammed is the Group Executive Chairman of FEHB, Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid, Tee Kim Tee @ Tee Ching Tee and Tee Lip Teng are Directors of FEHB, whereas Tee Cheng Hua is the Senior Executive Director, Plantations & Milling of FEHB.

Dato' Sri Kamaruddin Bin Mohammed is a Director in PKPP, KKSBB, WWSB, Cheekah-Kemayan Plantations Sdn. Bhd., Kilang Sawira Makmur, MPOM and also has indirect interest in PGC whereas Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid are Directors representing PKPP in FEHB's Board.

Tee Kim Tee @ Tee Ching Tee is a Director in KKSBB, PTSB, PPOM, WWSB, RPOM, Kilang Sawira Makmur, EPOM and MPOM.

Tee Cheng Hua is a Director in KKSBB, PTSB, PPOM, WWSB, PGC, RPOM, Kilang Sawira Makmur, EPOM, FPSB and MPOM.

Tee Lip Teng is a Director in FPSB and PPOPM. He is also an alternate Director to Tee Cheng Hua in KKSBB, PTSB, PPOM, WWSB, PGC, RPOM, Kilang Sawira Makmur, EPOM and MPOM.

Hence, Dato' Sri Kamaruddin Bin Mohammed, Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid, Tee Kim Tee @ Tee Ching Tee, Tee Cheng Hua and Tee Lip Teng being interested Directors will abstain from voting in respect of his/their direct and/or indirect shareholdings at the forthcoming AGM on the Proposed RRPT Mandate.

Accordingly, Dato' Sri Kamaruddin Bin Mohammed, Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid, Tee Kim Tee @ Tee Ching Tee, Tee Cheng Hua and Tee Lip Teng being interested directors have abstained and will continue to abstain from board deliberation and voting in respect of the Proposed RRPT Mandate.

The Directors of FEHB who are interested in the Proposed RRPT Mandate and their respective shareholdings in FEHB as at 29 May 2020 are as follows:-

| Directors                         | Total No. Of Ordinary Shares Held |      |           |      |
|-----------------------------------|-----------------------------------|------|-----------|------|
|                                   | Direct                            | %    | Indirect  | %    |
| Dato' Sri Kamaruddin Bin Mohammed | 11,340,000                        | 1.91 | 2,520,000 | 0.42 |
| Dato' Suhaimi Bin Mohd Yunus      | -                                 | -    | -         | -    |
| Dato' Jamaluddin Bin Abd Majid    | -                                 | -    | -         | -    |
| Tee Kim Tee @ Tee Ching Tee       | 19,578,720                        | 3.30 | -         | -    |
| Tee Cheng Hua                     | 8,762,200                         | 1.47 | -         | -    |
| Tee Lip Teng                      | 1,260,000                         | 0.21 | -         | -    |

**6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS AND PERSON CONNECTED (Cont'd)****6.3 Person Connected**

Dato' Asmin Binti Yahya is the Chief Operating Officer of the Company. As at 29 May 2020, her direct shareholding in FEHB shares was 315,000 unit shares. She is also a Director in KKSBB and FPSB; and being interested person in the Proposed RRPT Mandate, she will abstain from voting in respect of her direct and/or indirect shareholdings at the forthcoming AGM on the Proposed RRPT Mandate.

**7. STATUTORY AND OTHER GENERAL INFORMATION**

Shareholders are requested to refer to the Appendix I of this Circular for further information.

**8. DIRECTORS' RECOMMENDATION**

The Board save and except for Dato' Sri Kamaruddin Bin Mohammed, Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid, Tee Kim Tee @ Tee Ching Tee, Tee Cheng Hua and Tee Lip Teng having considered all aspects of the Proposed RRPT Mandate, is of the opinion that the Proposed RRPT Mandate is in the best interest of the Company and its shareholders.

Accordingly, they (save and except for Dato' Sri Kamaruddin Bin Mohammed, Dato' Suhaimi Bin Mohd Yunus, Dato' Jamaluddin Bin Abd Majid, Tee Kim Tee @ Tee Ching Tee, Tee Cheng Hua and Tee Lip Teng, who have abstained from deliberation and voting at the Board meetings of FEHB and are deemed interested in the Proposed RRPT Mandate) recommend that you vote in favour of the ordinary resolution to be tabled at the forthcoming AGM pertaining to the Proposed RRPT Mandate under the agenda of Special Business as set out in the Notice of AGM in the Annual Report of Far East Holdings Berhad for the financial year ended 31 December 2019.

**9. ANNUAL GENERAL MEETING**

The AGM of the Company will be held at The Zenith Hotel, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur on 15 July 2020 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution pertaining to the Proposed RRPT Mandate under the agenda of Special Business as set out in the Annual Report.

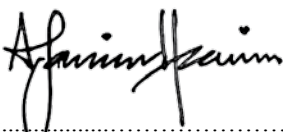
If you are unable to attend and vote at the forthcoming AGM in person, you will find enclosed with this Circular a Form of Proxy which you are requested to complete, sign and return in accordance with the instructions contained therein as soon as possible and, in any event, so as to arrive at our registered office, Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur not less than twenty four (24) hours before the time fixed for convening the AGM.

The completion and return of the Form of Proxy will not preclude you from attending and voting at the forthcoming AGM if you subsequently wish to do so.

**10. FURTHER INFORMATION**

Shareholders are required to refer to the attached Appendix I for further information.

Yours faithfully,  
For and on behalf of the Board  
**FAR EAST HOLDINGS BERHAD**



.....  
**DATUK MOHD AFRIZAN BIN HUSAIN**  
Independent, Non-Executive Director

## ADDITIONAL INFORMATION

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no facts and omission of which would make any statement herein misleading.

### 2. MATERIAL CONTRACT

Save as disclosed below, neither FEHB nor its subsidiary companies have entered into any contract which are and may be material within the two (2) years preceding the date of this Circular, other than contracts entered into in the ordinary course of business.

#### 2.1 PROPOSED ACQUISITION OF 2,124.5 HECTARES (EQUIVALENT TO 5,249.7 ACRES) OIL PALM PLANTATION LAND INCLUSIVE OF A 40 MT FFB/HOUR RATED CAPACITY PALM OIL MILL BY FEHB FROM HARN LEN CORPORATION BHD. ("Proposed Acquisition")

FEHB had entered into a Sale and Purchase Agreement ("Agreement") on 29 April 2019 with Harn Len Corporation Bhd. ("HLCB" or "the Vendor") for the Proposed Acquisition. The Vendor is the registered owner of the above land, all in the Mukim Keratong, District of Rompin, Negeri Pahang planted with oil palm trees together with all buildings and structures erected thereon including a palm oil mill and known as Lian Hup Oil Palm Estate. The agreed aggregate purchase price for the Proposed Acquisition is Ringgit Malaysia One Hundred Eighty Two Million Nine Hundred Ninety Thousand and Four Hundred (RM182,990,400.00) only.

The Proposed Acquisition is in line with the expansion plan of FEHB and would broaden FEHB's core income base through increased plantation acreage at a reasonable cost and at a strategic location vis-a-vis its existing plantation assets.

Pahang Land Office has vide its letter to HLCB of 12 May 2020 together with the Certificate of Estate Land Board granted approval for the Property to be transferred in favour of FEHB. As such, all the Conditions Precedent as stated in the SPA have been fulfilled.

### 3. MATERIAL LITIGATION

As at the date of this Circular, neither FEHB nor FEHB's subsidiaries are engaged in any material litigation, either as plaintiff or defendant, claims or arbitration and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the FEHB Group.

### 4. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at our registered office at Level 23, Menara Zenith, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur during normal business hours from Mondays to Fridays (except for public holidays) from the date of this Circular to the date of the forthcoming AGM:-

- (a) Constitution of our Company;
- (b) The audited accounts of the FEHB Group for the past two (2) financial years ended 31 December 2018 and 31 December 2019;
- (c) The unaudited quarterly report on consolidated results for the period ended 31 March 2020; and
- (d) The material contract referred to in Section 2 above.