Questionnaire from Minority Shareholders Watch Group (MSWG)
48th Annual General Meeting ("AGM") of Far East Holdings Berhad
("FEHB" or the "Company") to be held on Wednesday, 15 June 2022

Operational & Financial Matters

1. The Group registered an 8.4% decline in FFB production to 289,985MT in FY2021. However, the yield improved in most estates in the last 4 months of 2021. The Group recorded higher FFB yield of 17.01MT per hectare compared to the average yield in Pahang State and Peninsular Malaysia in 2021 of 15.43MT per hectare and 16.24MT respectively. (page 44 of Annual Report (AR) 2021)

   (a) What are the reasons for the improvement in yield in the last 4 months of 2021?

   Answer:

   Moisture determines the yield pattern. Yield patterns 2021 was determined by the rainfall pattern in 2019. There was a prolonged dry period in the first half year of 2019 which resulted in low yield for the first half year of 2021. The quantity and quality of rainfall improved in the 2nd half year of 2019. This resulted in better yield in the last 4 months of 2021.

   (b) Did the yield improvement sustain into the first 5 months of this year?

   Answer:

   Yield in the first 5 months in 2022 was good due to the good distribution of rainfall in 2020 and 2021.

   (c) What is the outlook for the remaining of 2022?

   Answer:

   Yield is expected to further improve in the coming months and is expected to be good until the year end. This is based on bunch settings seen in most estates.
   Most estates follow the above pattern. However, Sg. Batu Estate and Chengal Estate yield patterns are different this year due to the different rainfall pattern in these areas. Yield in Delima Estate is also expected to be relatively low due to peat and extreme condition of the soil, resulting in lower yield as well as lower OER achieved.

2. In FY2021, the average cost of FFB for the Group is recorded at RM246 per MT, 20% higher compared to the previous year of RM205 per MT, mainly due to higher fertiliser cost and continuous maintenance work on roads and drains especially in flood prone areas. The Group closely monitors the operating expense at estate level as part of the cost control initiatives. (page 45 of AR 2021)

(a) How much was the increase in fertiliser cost in FY2021 compared to FY2020? How is the trend since the end of 2021?

Answer:

Manuring cost increased by RM2.98 million (17%) in FY2021 compared to FY2020 contributed by increase in fertiliser cost. The fertiliser cost continues to show a rising trend since the end of 2021.

(b) How much did the Group spend on maintenance work on roads and drains last year?

Answer:

The Group spent RM3.85 million in FY 2021 (FY 2020: RM2.88 million) on maintenance the roads and drains.

3. In FY2021, 205.40 hectares had been replanted and this reflects the Group's continuous efforts to improve its age profile and achieve better yields. 670 hectares are scheduled for replanting from 2022 to 2025. (page 46 of AR 2021)

(a) How much did the Group spend to replant 205.4 hectares in FY2021?

Answer:

RM1.19 million.

(b) What is the estimated capex to replant 670 hectares over the next 4 years?

Answer:

The estimated capex to replant 670 hectares over the next 4 years is approximately RM9.72 million (RM14,500 per hectare x 670 hectares).

4. The Group's revenue from milling operations declined 5% to RM533.10 million in FY2021, mainly due to lower FFB processed by both mills. KKSB and WWSB recorded a total of 435,520MT FFB processed, down 13% year-on-year. The production capacity of both mills remains at 60MT per hour. (page 46 of AR 2021)

(a) What was the average utilisation rate for both mills in FY2021?

Answer:

The average utilisation rate for both mills in FY 2021 was 73% (FY 2020: 83%).

(b) What is the current average utilisation rate?

Answer:

The current average utilisation rate is 61% (up to May 2022).

5. For FY2021, the Group reached a total headcount of 271 people made up primarily of employees in estates who represent 56% of Group's employees. The number of foreign labourers had decreased from 655 in FY2020 to 512 in FY2021. 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. (page 47 of AR 2021)

   (a) How many of the Group's workers are earning minimum wage?

   Answer:

   The Group at all times complied with the national minimum wage as required by the Government and has a total headcount of 271 people for FYE2021. Out of this only 2 people are earning RM1,200 per month.

   (b) How much additional labour cost per year will the Group incur from the increase in minimum wage from RM1,200 to RM1,500/month?

   Answer:

   We anticipated an increase of not more than 7.2% from the existing total monthly salary.

   (c) Do you have any plans to hire more foreign workers? How many additional workers do you need to run at optimal capacity?

   Answer:

   Yes. The total number of additional workers required to run at optimal capacity are 598 workers. We are facing acute estate workers shortage of approximately 54.0% and we, like others in the industry is awaiting for government approval to start our recruiting process.

6. The Group's financial result for FY2022 is expected to be commendable on the back of stable FFB production and favorable average CPO and PK prices. (page 48 of AR 2021) What is the Group's projected growth in FFB production for FY2022?

   Answer:

   The Group is expected to register FFB production of approximately 349,630 mt in FY2022, which is about 21.0% (or 59,645 mt) increase from the actual FFB production registered in FY2021 of 289,985 mt. However, this increase is subject to the availability of foreign workers, especially harvesters.

Corporate Governance Matters

7. Practice 5.2 of the Malaysian Code on Corporate Governance 2021 stipulates that at least half of the board should comprise of Independent Directors. As at FYE 2021, only 3 out 9 of the Company's directors were Independent Directors and this is not in line with Practice 5.2. Does the Company intend to apply Practice 5.2, and if yes, by when?

   Answer:

   The Board composition is well structured comprising of nine (9) directors with three (3) Independent Directors serving on the Board. This is the minimum as per Bursa Listing Requirement. It is also important to note for FY2021, the BOD comprise of two (2) lady Directors of which one is an Independent Director.

8. Practice 5.8 of the Malaysian Code of Corporate Governance stipulates that the Nomination Committee should be chaired by an Independent Director or the Senior Independent Director. For FYE 2021, the company did not apply Practice 5.8. Does the Company intend to apply Practice 5.8, and if yes, by when?

   Answer:

   The Company is in non-compliance with the MCCG's practice note 5.8 as the Board has confidence with the leadership and experience of Mr Tee Kim Tee @ Tee Ching Tee in undertaking his duties as a member and Chairman of the Committee. With his vast knowledge in the industry, he is very focused in steering the Nomination Committee to ensure that the best candidate is identified and recommended to the BOD for any appointments. He is well supported by two other experienced Committee members who are both Independent Directors as well as knowledgeable in Human Capital Development.

   However, the Nomination Committee will deliberate on the above two (2) issues as per item 7 & 8 in due course, if necessary.