

# **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

## **1. BASIS OF PREPARATION**

The interim financial statements, other than financial instruments, have been prepared under the historical cost convention. Financial instruments have been fair valued in accordance to FRS 139 Financial Instruments: Recognition and Measurement.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following:-

### **2.1 Effective for financial periods beginning on or after 1 January 2014**

FRS 10, FRS 12 and FRS 127	Investment Entities (Amendments to FRS 10, FRS 12 and FRS 127)
Amendment to FRS 132	Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendment to FRS 136	Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets
Amendment to FRS 139	Financial Instruments: Recognised and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

### **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

#### **2.2 Effective for financial periods beginning on or after 1 July 2014**

Amendments to FRS 119      Defined Benefit Plans: Employee Contributions

Annual Improvements to FRSs 2010 – 2012 Cycle:

Amendment to FRS 2      Share-based Payment

Amendment to FRS 3      Business Combinations

Amendment to FRS 8      Operating Segments

Amendment to FRS 13      Fair Value Measurement

Amendment to FRS 116      Property, Plant and Equipment

Amendment to FRS 124      Related Party Disclosures

Amendment to FRS 138      Intangible Assets

Annual Improvements to FRSs 2011 – 2013 Cycle:

Amendment to FRS 1      First-time Adoption of Financial Reporting Standards

Amendment to FRS 3      Business Combinations

Amendment to FRS 13      Fair Value Measurement

Amendment to FRS 140      Investment Property

The adoption of the above revised FRSs, IC Interpretation and Amendments did not have any significant impact on the financial performance, position or presentation of financials of the Group.

#### **Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called “Transitioning Entities”).

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

On 7 August 2013, MASB announced that it will permit Transitioning Entities to defer the adoption of the new MFRS Framework until annual periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

### **3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's plantations business is affected by seasonal crop production, weather condition and fluctuating commodity prices.

### **4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence in the current quarter and cumulative quarter ended 31 March 2014.

### **5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts that have any material effect in the current quarter and cumulative quarter ended 31 March 2014.

### **6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT**

The audit report of the Group's financial statements for the financial year ended 31 December 2013 was not qualified.

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

### **7. ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OR DEBTS AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the current quarter and cumulative quarter ended 31 March 2014.

### **8. DIVIDEND PAID**

Dividend paid is as follow:-

	<b>3 months ended</b>	
	<b>31.3.2014</b>	<b>31.3.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim dividend	14,139 <sup>2</sup>	10,604 <sup>1</sup>

**Note:**

- 1 An interim single tier dividend of seven point five (7.5) sen per share for the financial year ended 31 December 2012 was paid on 16 January 2013. The amount was taken-up in the retained earnings for the financial year ended 31 December 2012.
- 2 An interim single tier dividend of ten (10.0) sen per share for the financial year ended 31 December 2013 was paid on 10 January 2014. The amount was taken-up in the retained earnings for the financial year ended 31 December 2013.

### **9. SEGMENTAL REPORTING**

No segmental reporting has been prepared as the group activities are predominantly in plantation activity, which is mainly carried out in Malaysia.

### **10. PROPERTY, PLANT AND EQUIPMENT**

The valuation of property, plant and equipment has been brought forward without amendments from the financial statements for the year ended 31 December 2013.

### **11. SUBSEQUENT MATERIAL EVENTS**

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 31 March 2014.

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

### **12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no other changes in the composition of the Group during the current quarter and cumulative quarter ended 31 March 2014.

### **13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

The contingent liabilities relate to the final award dated 19 September 2012 from the Arbitrator as per announcement dated 27 September 2012 (Note 26).

### **14. REVIEW OF PERFORMANCE**

	<b>3 months ended</b>	
	<b>31.3.2014</b>	<b>31.3.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	<b>105,536</b>	93,200
Profit before taxation	<b>28,896</b>	18,448
Net profit for the period	<b>22,818</b>	14,710

Higher revenue, profit before taxation and net profit for the cumulative quarter ended 31 March 2014 when compared to the corresponding cumulative quarter ended 31 March 2013 were mainly due to:-

- (i) Higher average CPO and kernel prices during the period of RM2,677 per mt and RM2,085 per mt respectively when compared to RM2,327 per mt and RM1,193 per mt respectively for the corresponding period of 2013.
- (ii) Higher FFB production by 5,856 metric tonnes (9%) in line with the increase in matured areas by 1,338.85 hectares.
- (iii) Higher contribution from the share of profits from associated companies by RM1.09 million (31%).

**FAR EAST HOLDINGS BERHAD**

Company No : 14809 - W  
(Incorporated in Malaysia)

**15. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	<b>Current Quarter 31.3.2014 RM'000</b>	<b>Preceding Quarter 31.12.2013 RM'000</b>
Revenue	<b>105,536</b>	138,090
Profit before taxation	<b>28,896</b>	41,175
Net profit for the period	<b>22,818</b>	31,783

The Group posted lower revenue, profit before taxation and net profit before tax when compared to the preceding quarter 31 December 2013 were mainly due to:-

- (i) Lower FFB production by 25,484 metric tonnes (26%).
- (ii) Lower contribution from the share of profits from associated companies by RM3.41 million (43%).

**16. OTHER OPERATING INCOME**

	<b>3 months ended</b>	
	<b>31.3.2014 RM'000</b>	<b>31.3.2013 RM'000</b>
- Net sales of scout harvesting and FFB from "tapping right"	1,006	696
- Net sales of seedlings	30	15
- Net sales of palm kernel shell and others	429	495
- Rental income	23	21
- Others	2	7
<b>Total</b>	<b>1,490</b>	<b>1,234</b>

**17. GAIN OR LOSS ON DISPOSAL OF QUOTED OR UNQUOTED INVESTMENT OR PROPERTIES**

There were no gain or loss on disposal of quoted or unquoted investment or properties for the current quarter and cumulative quarter ended 31 March 2014.

**18. FOREIGN EXCHANGE GAIN OR LOSS**

The Group does not have any foreign exchange gain or loss for the current quarter and cumulative quarter ended 31 March 2014.

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

### **19. GAIN OR LOSS ON DERIVATIVES**

The Group does not have any gain or loss on derivatives for the current quarter and cumulative quarter ended 31 March 2014.

### **20. CURRENT YEAR PROSPECTS**

The Group is expected to achieve favourable result in view of the sustainable crude palm oil price.

### **21. CAPITAL COMMITMENTS**

The amount of capital commitments not provided for in the financial statements is as follow:-

	<b>As at 31.3.2014 RM'000</b>	<b>As at 31.3.2013 RM'000</b>
Property, plant and equipment	6,497	9,625
Oil palm estates development	15,918	12,377
Acquisition of land	40,000	40,000
<b>Total capital commitments</b>	<b>62,415</b>	<b>62,002</b>

### **22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE**

Not applicable as there was no profit forecast nor profit guarantee published.

### **23. TAXATION**

	<b>3 months ended</b>	
	<b>31.3.2014 RM'000</b>	<b>31.3.2013 RM'000</b>
Tax expense	<b>6,078</b>	3,738

The effective tax rate of the Group for the cumulative quarter ended 31 March 2014 and 31 March 2013 is calculated at Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

The effective tax rate of the Group for the cumulative quarter ended 31 March 2014 and 31 March 2013 was lower than the statutory tax rate due to certain income which not taxable.

## **FAR EAST HOLDINGS BERHAD**

**Company No : 14809 - W**  
(Incorporated in Malaysia)

### **24. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals for the current quarter and cumulative quarter ended 31 March 2014.

### **25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

During the current quarter and cumulative quarter ended 31 March 2014, the Group did not enter into any contract involving off balance sheet instruments.

### **26. STATUS OF THE MATERIAL LITIGATIONS**

#### **Appeal by FEHB/KAOP**

#### **COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2672-12/2013**

1. Far East Holdings Berhad
  2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Appellants
- And**
- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Respondent

#### **COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2671-12/2013**

1. Far East Holdings Berhad
  2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Appellants
- And**
- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Respondent

#### **Appeal by MUIP**

#### **COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2781-12/2013**

- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Appellant
- And**
1. Far East Holdings Berhad
  2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Respondents

The above cases were heard by the Deputy Registrar of the Court of Appeal on 17 March 2014 and the next case management is scheduled on 12 May 2014.



## FAR EAST HOLDINGS BERHAD

Company No : 14809 - W  
(Incorporated in Malaysia)

### 27. STATUS ON THE JOINT VENTURE PROJECT

- (i) **The status on the joint venture project for the development of oil palm plantation between Far East Holdings Berhad and Rangkaian Delima Sdn Bhd**

**Far East Delima Plantations Sdn Bhd (“FEDP”)**

FEDP recorded a profit before tax of RM731,280 for the current quarter ended 31 March 2014.

**F.E.Rangkaian Sdn Bhd (“FERSB”)**

Currently only 2,158.20 hectares have been developed. FERSB had recorded a loss before tax of RM50,904 for the current quarter ended 31 March 2014.

- (ii) **The status on the joint venture project for the biodiesel and glycerine refinery - Future Prelude Sdn Bhd (“FPSB”)**

FPSB recorded a profit before tax of RM427,073 for the current quarter ended 31 March 2014.

### 28. DIVIDEND

No interim dividend was declared in the financial period ended 31 March 2014 (31 March 2013: Nil).

### 29. EARNINGS PER SHARE (“EPS”)

- (a) **Basic EPS**

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the owners of the Company by the weighted average number of ordinary shares in issue during the period:-

	3 months ended	
	31.3.2014	31.3.2013
Profit attributable to equity holder of the owners of the Company (RM'000)	20,672	13,564
Weighted average number of ordinary shares in issue ('000)	141,390	141,390
<b>Basic EPS (sen)</b>	<b>14.62</b>	9.59

**FAR EAST HOLDINGS BERHAD**

Company No : 14809 - W  
(Incorporated in Malaysia)

**(b) Diluted EPS**

There was no diluting factor to earnings per share for the current quarter and the figure is the same as basic earnings per share.

**30. RETAINED EARNINGS**

	<b>As at 31.3.2014 Unaudited RM'000</b>	<b>As at 31.12.2013 Audited RM'000</b>
Realised	589,826	569,154
Unrealised	(15,792)	(16,542)
<b>Total Retained Earnings</b>	<b>574,034</b>	<b>552,612</b>

**31. AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue on 8 May 2014 by the Board of Directors in accordance with a resolution of the Directors.