

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

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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

The approved accounting standards for listed company in Malaysia for the period under review will be MASB Approved Accounting Standards for Entities Other than Private Entities under the Malaysian Financial Reporting Standards (“MFRS”) Framework in place of the Financial Reporting Standards (“FRS”) except for Transitioning Entity (“TE”) which are the entities that subject to the application of MFRS 141 Agriculture and/or IC 15 Agreements for the Construction of Real Estate that shall continue applying FRS.

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MASB had on 2 September 2014 announced that entities chosen to apply FRSs shall comply with MFRSs for annual periods beginning on or after 1 January 2017. Early application framework is permitted.

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 30 September 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 30 September 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.

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 and cumulative quarter ended 30 September 2014.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		9 months ended	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Interim dividend	-	-	14,139 ³	10,604 ¹
Final dividend	21,209 ⁴	24,743 ²	21,209 ⁴	24,743 ²
	21,209	24,743	35,348	35,347

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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 A final single tier dividend of seventeen point five (17.5) sen per share for the financial year ended 31 December 2012 was paid on 8 July 2013.
- 3 An interim single tier dividend of ten (10) 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.
- 4 A final single tier dividend of fifteen (15.0) sen per share for the financial year ended 31 December 2013 was paid on 18 July 2014.

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 event at the date of this current quarter and cumulative quarter ended 30 September 2014.

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 30 September 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).

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14. REVIEW OF PERFORMANCE

	3 months ended		9 months ended	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Revenue	109,155	116,959	326,289	301,691
Profit before taxation	45,241	37,400	103,737	67,531
Net profit for the period	38,157	29,551	84,347	53,588

Higher revenue, profit before taxation and net profit for the cumulative quarter ended 30 September 2014 when compared to the corresponding cumulative quarter ended 30 September 2013 were mainly due to:-

- (i) Higher average CPO and kernel prices during the period of RM2,488 per mt and RM1,838 per mt respectively when compared to RM2,332 per mt and RM1,257 per mt respectively for the corresponding period of 2013.
- (ii) Higher FFB production by 14,733 metric tonnes (6%).
- (iii) Higher of average OER achieved of 19.03% when compared to 18.63% for the corresponding period of 2013.
- (iv) Recognition of gain on disposal of land held for disposal amounting to RM9.65 million.
- (v) Higher contribution from the share of profits from associated companies by RM4.39 million (54%).
- (vi) Lower estate expenditure by RM1.49 million (3%).

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.9.2014 RM'000	Preceding Quarter 30.6.2014 RM'000
Revenue	109,155	111,598
Profit before taxation	45,241	29,600
Net profit for the period	38,157	23,372

For the current quarter ended 30 September 2014, the Group posted lower revenue when compared to the preceding quarter 30 June 2014 which was lower by RM2.44 million (2%) due to lower average prices of crude palm oil and kernel. Higher profit before taxation and net profit before tax when compared to the preceding quarter 30 June 2014 were mainly due to:-

- (i) Recognition of gain on disposal of land held for disposal amounting to RM9.65 million.
- (ii) Higher contribution from the share of profits from associated companies by RM2.50 million (56%).

16. OTHER OPERATING INCOME

	3 months ended		9 months ended	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
- Net sales of scout harvesting	638	924	1,947	2,060
- Net sales of FFB from "tapping right" area	328	163	1,074	679
- Net sales of seedlings	93	235	134	329
- Net sales of palm kernel shell and others	372	764	1,137	1,847
-Gain on disposal of property, plant and equipment	11	38	11	38
- Rental income	70	21	114	63
- Others	125	10	130	45
Total	1,637	2,155	4,547	5,061

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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 30 September 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 30 September 2014.

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 30 September 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:-

	As at 30.9.2014 RM'000	As at 30.9.2013 RM'000
Property, plant and equipment	4,228	8,169
Oil palm estates development	11,545	7,614
Acquisition of land	40,000	40,000
Total capital commitments	55,773	55,783

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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23. TAXATION

	3 months ended		9 months ended	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Tax expense	7,134	7,849	19,440	13,955
Over provision in prior year	(50)	-	(50)	(12)
Total	7,084	7,849	19,390	13,943

The effective tax rate of the Group for the cumulative quarter ended 30 September 2014 and 30 September 2013 is calculated at Malaysian statutory tax rate of 25% of the estimated assessable profit for the period.

The effective tax rate of the Group for the cumulative quarter ended 30 September 2014 and 30 September 2013 was lower than the statutory tax rate due to certain income which not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and cumulative quarter ended 30 September 2014.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 September 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

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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 hearing of the above appeals which was scheduled on 3 September 2014 has now been postponed to 12 January 2015.

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 had recorded a profit before tax of RM5.76 million for the cumulative quarter ended 30 September 2014.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,401.30 hectares have been developed. FERSB had recorded a loss before tax of RM271,327 for the cumulative quarter ended 30 September 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 RM1.53 million for the cumulative quarter ended 30 September 2014.

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28. DIVIDEND

(i) Current quarter for the financial period ending 30 September 2014

The Board is recommending an interim single tier dividend of ten (10) sen, per share be declared in respect of the financial year ending 31 December 2014 and the payment date will be announced at the later date.

Dividend for the financial year ended 31 December 2013:

On 16 April 2014, the Company had announced recommendation for a final single tier dividend of 15 sen per ordinary share for the financial year ended 31 December 2013 and the dividend was approved at Annual General Meeting on 11 June 2014 and the payment date was on 18 July 2014.

(ii) Current quarter for the financial period ending 30 September 2013

The Board had recommended an interim single tier dividend of ten (10) sen per share, be declared in respect of the financial year ended 31 December 2013 and was paid on 10 January 2014 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 26 December 2013.

Dividend for the financial year ended 31 December 2012:

On 9 April 2013, the Company had announced recommendation for a final single tier dividend of 17.50 sen per share for the financial year ended 31 December 2012 and the dividend was approved at Annual General Meeting on 19 June 2013 and the payment date was on 8 July 2013.

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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		9 months ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Profit attributable to equity holder of the owners of the Company (RM'000)	36,106	27,581	78,014	49,577
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	25.54	19.51	55.18	35.06

(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

	As at 30.9.2014 Unaudited RM'000	As at 31.12.2013 Audited RM'000
Realised	625,959	569,154
Unrealised	(14,292)	(16,542)
Total Retained Earnings	611,667	552,612

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 20 November 2014 by the Board of Directors in accordance with a resolution of the Directors.