

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

On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. This standard will come into effect on 1 January 2018, with early application permitted.

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application, other than for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when full standard is issued.

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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 financial year ended 31 December 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 financial year ended 31 December 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 quarter and financial year ended 31 December 2014.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Interim dividend	14,139 ⁴	14,139 ²	14,139 ⁴	14,139 ²
Final dividend	-	-	21,209 ³	24,743 ¹
	14,139	14,139	35,348	38,882

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Note:

- 1 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.
- 2 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.
- 3 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.
- 4 An interim single tier dividend of ten (10) sen per share for the financial year ended 31 December 2014 was paid on 19 December 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 financial year ended 31 December 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 financial year ended 31 December 2014.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the High Court decision on 21 November 2013 relating to the court cases as per Note 26. The relevant announcement was released to Bursa Malaysia on 22 November 2013.

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14. REVIEW OF PERFORMANCE

	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue	102,054	138,090	428,343	439,781
Profit before taxation	25,504	41,175	129,241	108,706
Net profit for the period	19,907	31,783	104,254	85,371

Lower revenue was due to lower crop received and processed by the mill during the year by 85,840 metric tonnes (18%) which was 400,040 metric tonnes when compared to the year of 2013 which was 485,880 metric tonnes as there were some outside estates had diverted the crop to other millers.

Higher profit before taxation and net profit for year 2014 when compared to the year 2013 were mainly due to:-

- (i) Recognition of gain on disposal of part-off Bandar Indera Mahkota Land amounting to RM9.34 million.
- (ii) Higher finance income by RM1.62 million (35%).
- (iii) Lower operating expenditure by RM22 million mainly due to:-
 - (a) decrease in mill expenditure by RM18.28 million (6%) in line with the decrease in FFB processed by 85,840 mt (18%).
 - (b) decrease in replanting cost by RM2.53 million (39%) in line with the decrease in replanting area by 1,351.34 hectares.
 - (c) decrease in fertilizer cost by RM2.03 million (10%).
- (iv) Higher FFB production by 5,766 metric tonnes (2%).

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2014 RM'000	Preceding Quarter 30.9.2014 RM'000
Revenue	102,054	109,155
Profit before taxation	25,504	45,241
Net profit for the period	19,907	38,157

Lower revenue, profit before taxation and net profit for the current quarter ended 31 December 2014 when compared to the preceding quarter ended 30 September 2014 are mainly due to:-

- (i) Lower FFB production by 14,522 metric tonnes.
- (ii) Lower average CPO and kernel price for the current quarter of RM2,188 per mt and RM1,432 per mt respectively when compared to RM2,213 per mt and RM1,454 per mt respectively for the preceding quarter.
- (iii) Lower contribution from the share of profits from associated companies by RM4.33 million.

16. OTHER OPERATING INCOME

	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
- Net sales of scout harvesting	426	1,232	2,373	3,292
- Net sales of FFB from "tapping right" area	358	399	1,432	1,078
- Net sales of seedlings	172	6	306	335
- Net sales of palm kernel shell and others	(135)	(462)	1,002	1,385
- Gain on disposal of property, plant and equipment	-	323	11	361
- Rental income	21	20	135	83
- Reversal of impairment loss for other receivable	479	-	479	-
- Others	379	12	509	57
Total	1,700	1,530	6,247	6,591

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

The gain on disposal of part-off Bandar Indera Mahkota Land amounting to RM9.34 million had been taken up in the financial year ended 31 December 2014.

18. FOREIGN EXCHANGE GAIN OR LOSS

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

19. GAIN OR LOSS ON DERIVATIVES

The Group does not have any gain or loss on derivatives for the current quarter and financial year ended 31 December 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 31.12.2014 RM'000	As at 31.12.2013 RM'000
Property, plant and equipment	10,000	7,079
Oil palm estates development	11,736	16,745
Acquisition of land	40,000	40,000
Total capital commitments	61,736	63,824

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		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Current year tax	4,567	8,891	24,007	22,846
(Over)/Under provision in prior year	(5)	24	(55)	12
Deferred tax	1,035	477	1,035	477
Total	5,597	9,392	24,987	23,335

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2014 and 31 December 2013 is calculated at Malaysian statutory tax rate of 25% based on the assessable profit for the period.

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2014 and 31 December 2013 was lower than the statutory tax rate due to certain income which are not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and financial year ended 31 December 2014.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year ended 31 December 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

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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 hearing of the above appeals was held on 12 January 2015 at the Court of Appeal Malaysia at Putrajaya. The court adjourned for the decision to a date to be fixed later.

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 RM6.79 million for the financial year ended 31 December 2014.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,459.80 hectares have been developed. FERSB had recorded a profit before tax of RM584,373 for the financial year ended 31 December 2014. The profit derived from gain on liability carried at amortised cost.

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

FPSB recorded a loss before tax of RM611,485 for the financial year ended 31 December 2014.

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28. DIVIDEND

(i) Current quarter for the financial year ending 31 December 2014

The final dividend for the financial year ended 31 December 2014 would be announced at a later date.

On 21 November 2014, the Company had announced an interim single tier dividend of ten (10) sen per share, in respect of the financial year ending 31 December 2014 and the dividend had been paid on 19 December 2014 to the shareholders whose names appear in the Record of Depositors of the Company on 8 December 2014.

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 year ending 31 December 2013

The recommendation for a final single tier dividend for the year ended 31 December 2013 was announced on 16 April 2014.

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		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to equity holder of the owners of the Company (RM'000)	15,114	24,221	93,128	73,798
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	10.69	17.13	65.87	52.19

(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 31.12.2014 Unaudited RM'000	As at 31.12.2013 Audited RM'000
Realised	627,491	569,154
Unrealised	(14,507)	(16,542)
Total Retained Earnings	612,984	552,612

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 27 February 2015 by the Board of Directors in accordance with a resolution of the Directors.