

## **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 2014. 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 2014.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the following new/revised FRSs and amendments to FRSs:-

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

Amendments to FRS 119 : Defined Benefit Plans : Employee Contributions

Annual Improvements to : 2012 Cycle  
FRSs 2010

Annual Improvements to : 2013 Cycle  
FRSs 2011

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

#### **2.2 Effective for financial periods beginning on or after 1 January 2016**

Amendments to FRS 11	: Accounting for Acquisition of Interest in Joint Operations
Amendment to FRS 116 and FRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to FRS 10 and FRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendment to FRS 127	: Equity Method in Separate Financial Statements
Amendment to FRS 101	: Disclosure Initiative
Amendment to FRS 10, RFS 12 and FRS 18	: Investment Entitles: Applying the Consolidation Exception
Annual Improvements to FRSs 2012	: 2014 Cycle
FRS 14	: Regulatory Deferral Accounts

#### **2.3 Effective for financial periods beginning on or after 1 January 2018**

FRS 9	: Financial Instruments
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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 financial 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 venturer (herein called “Transitioning Entities”) which will be allowed to defer adoption of the new FRS Framework for one year. On June 2012, MASB has given an option to Transitioning Entities to defer the adoption of MFRS

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Framework for another year. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

In light of the development and the revisions of the project timelines by the IASB, the Board has decided to extend the transitions period for another year, ie. the adoption of the MFRS Framework by all Transitioning Entities with effect from annual periods beginning on or after 1 January 2015.

On 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

The Group falls within the scope definition of Transitioning Entities and 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 2017. 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 earnings.

The Group expects to be in position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2017.

### **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 2015.

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### **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 2015.

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

The audit report of the Group's financial statements for the financial year ended 31 December 2014 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 cumulative quarter ended 31 March 2015.

### **8. DIVIDEND PAID**

Dividend paid is as follow:-

	<b>3 months ended</b>	
	<b>31.3.2015</b>	<b>31.3.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim dividend	-	14,139 <sup>1</sup>

**Note:**

1 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 2014.

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

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 31 March 2015.

### **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 2015.

### **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.

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

	<b>3 months ended</b>	
	<b>31.3.2015</b>	<b>31.3.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	<b>71,034</b>	105,536
Profit before taxation	<b>11,945</b>	28,896
Net profit for the period	<b>9,588</b>	22,818

Lower revenue, profit before tax and net profit for the period were due to:-

- (i) Lower average CPO and kernel prices during the period of RM2,272 per mt and RM1,848 per mt respectively when compared to RM2,677 per mt and RM2,058 per mt respectively for the corresponding period of 2014. A reduction of 15% and 10% for CPO and kernel prices respectively as compared to the corresponding period 2014.
- (ii) Lower FFB production by 8,557 metric tonnes (12%).
- (iii) Lower crop received and processed by the mill during the period by 15,370 mt (17%) which was 77,410 mt as compared to the corresponding period of 2014 which was 92,780 mt.

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

	<b>Current Quarter 31.3.2015 RM'000</b>	<b>Preceding Quarter 31.12.2014 RM'000</b>
Revenue	<b>71,034</b>	102,054
Profit before taxation	<b>11,945</b>	25,504
Net profit for the period	<b>9,588</b>	19,907

Lower revenue, profit before taxation and net profit for the quarter ended 31 March 2015 when compared to the preceding quarter ended 31 December 2014 are mainly due to:-

- (i) Lower FFB production by 25,076 metric tonnes.
- (ii) Lower contribution from the share of profits from associated companies by RM0.23 million.

**16. OTHER OPERATING INCOME**

	<b>3 months ended</b>	
	<b>31.3.2015 RM'000</b>	<b>31.3.2014 RM'000</b>
- Net sales of scout harvesting	308	609
- Net sales of FFB from "tapping right" area	109	397
- Net sales of seedlings	35	30
- Net sales of palm kernel shell and others	208	429
- Rental income	35	23
- Others	125	2
<b>Total</b>	<b>820</b>	<b>1,490</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 2015.

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### **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 2015.

### **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 2015.

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

The Group is expected to achieve lower profits in view of lower crude palm oil and kernel prices.

### **21. CAPITAL COMMITMENTS**

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

	<b>As at 31.3.2015 RM'000</b>	<b>As at 31.3.2014 RM'000</b>
Property, plant and equipment	<b>9,630</b>	6,497
Oil palm estates development	<b>10,149</b>	15,918
Acquisition of land	<b>40,000</b>	40,000
<b>Total capital commitments</b>	<b>59,779</b>	<b>62,415</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>31.3.2015 RM'000</b>	<b>31.3.2014 RM'000</b>
Tax expense	<b>2,357</b>	6,078

The effective tax rate of the Group for the cumulative quarter ended 31 March 2015 and 31 March 2014 is calculated at Malaysian statutory tax rate of 25% based on the assessable profit for the period.

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The effective tax rate of the Group for the cumulative quarter ended 31 March 2015 and 31 March 2014 was lower than the statutory tax rate due to certain income which is not taxable.

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

There were no corporate proposals for the current quarter and cumulative quarter ended 31 March 2015.

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

During the current quarter and cumulative quarter ended 31 March 2015, 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

Until to date, the Court of Appeal registry has not issued any notice for the decisions of the above appeals.



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### 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 loss before tax of RM548,284 for the current quarter ended 31 March 2015.

**F.E.Rangkaian Sdn Bhd (“FERSB”)**

Currently only 1,459.80 hectares have been developed. FERSB had recorded a loss before tax of RM192,212 for the current quarter ended 31 March 2015.

- (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 RM39,334 for the current quarter ended 31 March 2015.

### 28. DIVIDEND

No interim dividend was declared in the period ended 31 March 2015 (31 March 2014: 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	
	31.3.2015	31.3.2014
Profit attributable to the owners of the Company (RM'000)	9,103	20,672
Weighted average number of ordinary shares in issue ('000)	141,390	141,390
<b>Basic EPS (sen)</b>	<b>6.44</b>	14.62

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**(b) Diluted EPS**

There was no diluting factor to earnings per share for the current quarter.

**30. RETAINED EARNINGS**

	<b>As at 31.3.2015 Unaudited RM'000</b>	<b>As at 31.12.2014 Audited RM'000</b>
Realised	636,594	627,491
Unrealised	(13,757)	(14,507)
<b>Total Retained Earnings</b>	<b>622,837</b>	<b>612,984</b>

**31. AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue on 19 May 2015 by the Board of Directors in accordance with a resolution of the Directors.