

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 the financial periods beginning on or after 1 January 2015

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 10, FRS 12 and FRS 128	: Investments Entities: Applying the Consolidation Exception
Amendments to FRS 11	: Accounting for Acquisition of Interest in Joint Operations
FRS 14	: Regulatory Deferral Accounts
Amendments to FRS 101	: Disclosure Initiative
Amendments to FRS 116 and FRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	: Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012-2014	: 2014 Cycle

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

FRS 9	: Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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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 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of MFRS Framework for another year. Therefore, the MFRS Framework will be

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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 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

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 2018. 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 2018.

Effective for financial periods beginning on or after 1 January 2016:

- Amendments to FRS 116 and FRS 141 : Agriculture: Bearer Plants

Effective for financial periods beginning on or after 1 January 2017:

- FRS 15: Revenue from Contracts with Customers

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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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 2015.

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 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 financial year ended 31 December 2015.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Interim dividend	14,139 ⁴	14,139 ¹	14,139 ⁴	14,139 ¹
Final dividend	-	-	28,278 ³	21,209 ²
	14,139	14,139	42,417	35,348

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.
- 2 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.

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3 A final single tier dividend of twenty (20.0) sen per share for the financial year ended 31 December 2014 was paid on 15 July 2015.

4 An interim single tier dividend of ten (10.0) sen per share for the financial year ended 31 December 2015 was paid on 15 January 2016. The amount was taken-up in the retained earnings for the financial year ended 31 December 2015.

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

On 31 December 2015, the Group had revalued the palm oil plantations and leasehold land to the open market value using the investment method, by independent professional valuer.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and financial year ended 31 December 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 financial year ended 31 December 2015.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the material litigation as disclosed in Note 26.

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14. REVIEW OF PERFORMANCE

	3 months ended		12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue	95,931	102,054	327,736	428,343
Profit before taxation	33,523	25,504	102,354	129,241
Net profit for the period	25,835	19,907	80,653	104,254

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

- (i) Lower average CPO and kernel prices during the year of RM2,172 per mt and RM1,626 per mt respectively when compared to RM2,413 per mt and RM1,737 per mt respectively for the year of 2014. The average CPO and kernel prices were reduced by 10% and 6% respectively as compared to the average prices for the year 2014.
- (ii) Gain on disposal of part-off Bandar Indera Mahkota Land amounting to RM9.34 million was recognised in year 2014.
- (iii) Lower other operating income by RM1.25 million (20%).
- (iv) Lower contribution from the share of profits from associated companies by RM0.90 million (5%).

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2015 RM'000	Preceding Quarter 30.9.2015 RM'000
Revenue	95,931	92,184
Profit before taxation	33,523	38,574
Net profit for the period	25,835	30,732

For the current quarter ended 31 December 2015, the Group registered higher revenue when compared to the preceding quarter 30 September 2015 attributable to higher revenue recorded from milling operation in line with higher FFB processed. However lower profit before taxation and net profit for the current quarter ended 31

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December 2015 when compared to the preceding quarter 30 September 2015 was due to lower earnings from plantation operation coupled with higher operating expenditure recognised in the current quarter.

16. OTHER OPERATING INCOME

	3 months ended		12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
- Net sales of scout harvesting	545	426	1,614	2,373
- Net sales of FFB from "tapping right" area	528	358	1,472	1,432
- Net sales of seedlings	38	172	214	306
- Net sales of palm kernel shell and others	(161)	(135)	667	1,002
- Gain on disposal of property, plant and equipment	130	-	153	11
- Rental income	14	21	118	135
- Reversal of impairment loss for other receivable	-	479	-	479
- Others	350	379	760	509
Total	1,444	1,700	4,998	6,247

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 financial year ended 31 December 2015.

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 2015.

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 2015.

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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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Property, plant and equipment	7,231	10,000
Oil palm estates development	6,926	11,736
Acquisition of land	10,000	40,000
Total capital commitments	24,157	61,736

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended		12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Current year tax	7,342	4,567	21,532	24,007
(Over)/Under provision in prior year	-	(5)	(177)	(55)
Deferred tax	346	1,035	346	1,035
Total	7,688	5,597	21,701	24,987

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2015 and 31 December 2014 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 2015 and 31 December 2014 was lower than the statutory tax rate due to certain income which was not taxable.

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24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and financial year ended 31 December 2015.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year ended 31 December 2015, the Group did not enter into any contract involving off balance sheet instruments.

26. STATUS OF THE MATERIAL LITIGATIONS

Status on material litigation between Far East Holdings Berhad, Kampong Aur Oil Palm Company (Sdn.) Berhad and Majlis Ugama Islam dan Adat Resam Melayu Pahang.

- 1. Leave Application to the Federal Court
Civil Application No.08-379-08/2015 (W)**
- 2. Leave Application to the Federal Court
Civil Application No. 08-380-08/2015 (W)**
- 3. Leave Application to the Federal Court
Civil Application No. 08-382-08/2015 (W)**

All the above three (3) leave applications have been fixed for hearing on 28.3.2016.

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 RM2.24 million for the financial year ended 31 December 2015.

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F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,459.80 hectares have been developed. FERSB had recorded a profit before tax of RM152,337 for the financial year ended 31 December 2015.

(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 RM131,653 for the financial year ended 31 December 2015.

28. DIVIDEND

(i) **Current quarter for the financial year ended 31 December 2015**

The final dividend for the financial year ended 31 December 2015 would be announced at a later date.

On 25 November 2015, the Company had announced an interim single tier dividend of ten (10) sen per share be declared in respect of the financial year ended 31 December 2015 and the dividend had been paid on 15 January 2016 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 23 December 2015.

Dividend for the financial year ended 31 December 2014:

On 15 April 2015, the Company had announced the payment of a final single tier dividend of 20 sen per ordinary share for the financial year ended 31 December 2014 and the dividend was approved at Annual General Meeting by the shareholders on 10 June 2015. The dividend had been paid on 15 July 2015.

(ii) **Current quarter for the financial year ended 31 December 2014**

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.

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Dividend for the financial year ended 31 December 2013:

On 16 April 2014, the Company had announced the payment of 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 dividend had been paid on 18 July 2014.

29. EARNINGS PER SHARE (“EPS”)

(i) 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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Profit attributable to equity holder of the owners of the Company (RM'000)	22,079	15,114	71,282	93,128
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	15.62	10.69	50.42	65.87

(ii) Diluted EPS

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

30. RETAINED EARNINGS

	As at 31.12.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
Realised	656,702	627,491
Unrealised	(11,071)	(14,507)
Total Retained Earnings	645,631	612,984

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 23 February 2016 by the Board of Directors in accordance with the resolution of the Directors.