

FAR EAST HOLDINGS BERHAD

Company No : 14809-W

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Three - Months Ended 31 March 2018

(The figures have not been audited)

	-----Quarter ended 31 March-----		
	2018	2017	2017
		(Reported	(Previously
		under MFRS)	Reported
	RM'000	RM'000	under FRS)
			RM'000
Revenue	109,264	92,189	92,189
Other operating income	8,705	7,865	887
Depreciation and amortisation	(6,982)	(7,150)	(2,660)
Operating expenses	(88,826)	(61,973)	(62,501)
Finance income	766	718	718
Finance cost	(1)	(1)	(1)
Share of profit after tax of equity accounted associates	8,705	4,994	4,994
Profit before taxation	31,631	36,642	33,626
Taxation	(5,577)	(7,584)	(6,860)
Net profit for the period	26,054	29,058	26,766
Attributable to:			
Owners of the Company	22,553	26,060	24,174
Non-controlling interests	3,501	2,998	2,592
	26,054	29,058	26,766
Earnings per share attributable to owners of the Company (sen):			
Basic	15.95	18.43	17.10
Diluted	15.95	18.43	17.10

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying notes attached to the interim financial statements.

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AND OTHER COMPREHENSIVE INCOME

For The Three - Months Ended 31 March 2018

(The figures have not been audited)

	-----Quarter ended 31 March-----		
	2018	2017	2017
		(Reported under MFRS)	(Previously Reported under FRS)
	RM'000	RM'000	RM'000
Profit for the period	26,054	29,058	26,766
Other comprehensive income			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
- Transfer from revaluation reserve	-	-	1,000
- Transfer to retained earnings	-	-	(1,000)
Total comprehensive income	26,054	29,058	26,766
Total comprehensive income attributable to:			
Owners of the Company	22,553	26,060	24,174
Non-controlling interests	3,501	2,998	2,592
	26,054	29,058	26,766

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying notes attached to the interim financial statements.

FAR EAST HOLDINGS BERHAD

Company No : 14809-W

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At 31 March 2018

(The figures have not been audited)

	31 March 2018	31 December 2017	1 January 2017
		(Reported under MFRS)	(Reported under MFRS)
	RM'000	RM'000	RM'000
Non Current Assets			
Property, plant and equipment	427,165	429,512	420,453
Biological asset - Bearer plant	219,992	225,481	239,095
Land held for disposal	22,413	22,413	22,413
Associates	446,352	437,958	375,640
Other financial assets	3,000	3,000	3,000
	<u>1,118,922</u>	<u>1,118,364</u>	<u>1,060,601</u>
Current Assets			
Other financial assets	8,377	3,349	3,245
Inventories	7,285	11,988	3,908
Biological asset	7,376	5,041	9,644
Receivables, deposits and prepayments	95,382	86,603	67,440
Tax recoverable	1,781	1,242	1,864
Deposits, bank and cash balances	157,446	141,815	289,051
	<u>277,647</u>	<u>250,038</u>	<u>375,152</u>
Less: Current Liabilities			
Payables	44,158	38,280	74,392
Hire purchase creditor	15	23	36
Current tax liabilities	11,719	10,435	3,332
	<u>55,892</u>	<u>48,738</u>	<u>77,760</u>
Net Current Assets	<u>221,755</u>	<u>201,300</u>	<u>297,392</u>
Non Current Liabilities			
Deferred tax liabilities	162,541	162,541	161,099
Hire purchase creditor	-	-	23
	<u>162,541</u>	<u>162,541</u>	<u>161,122</u>
	<u>1,178,136</u>	<u>1,157,123</u>	<u>1,196,871</u>
Capital and reserves attributable to owners of the Company			
Share capital	141,390	141,390	141,390
Share premium	46,853	46,853	46,853
Retained earnings	807,871	790,359	733,272
Shareholders' equity	<u>996,114</u>	<u>978,602</u>	<u>921,515</u>
Non-controlling interests	<u>182,022</u>	<u>178,521</u>	<u>275,356</u>
Total equity	<u>1,178,136</u>	<u>1,157,123</u>	<u>1,196,871</u>

Net assets per share attributable to owners of the Company (RM)

7.05

6.92

6.52

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Three - Months Ended 31 March 2018

(The figures have not been audited)

	----- Attributable to owners of the Company -----					Non-controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
Balance at 1 January 2018 as previously stated	141,390	46,853	336,571	647,400	1,172,214	178,521	1,350,735
Effects on adoption of MFRS	-	-	(336,571)	142,959	(193,612)	-	(193,612)
Balance at 1 January 2018 as reported under MFRS	141,390	46,853	-	790,359	978,602	178,521	1,157,123
Total comprehensive income for the period	-	-	-	22,553	22,553	3,501	26,054
Effect upon reversal of fair value gain				(5,041)	(5,041)	-	(5,041)
Balance at 31 March 2018	141,390	46,853	-	807,871	996,114	182,022	1,178,136
Balance at 1 January 2017 as previously stated	141,390	46,853	340,793	566,277	1,095,313	275,356	1,370,669
Effects on adoption of MFRS	-	-	(340,793)	166,995	(173,798)	-	(173,798)
Balance at 1 January 2018 as reported under MFRS	141,390	46,853	-	733,272	921,515	275,356	1,196,871
Total comprehensive income for the period	-	-	-	26,060	26,060	2,998	29,058
Balance at 31 March 2017	141,390	46,853	-	759,332	947,575	278,354	1,225,929

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

FAR EAST HOLDINGS BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For The Three - Months Ended 31 March 2018

(The figures have not been audited)

	3 months ended	
	2018	2017
	RM'000	RM'000
Operating activities		
Profit for the period attributable to owners of the Company	22,553	26,060
Adjustments for:		
Non-controlling interests	3,501	2,998
Property, plant and equipment		
- depreciation	6,982	7,150
- gain on disposal	-	(58)
Share of profit of associates , net of tax	(8,705)	(4,994)
Interest income	(766)	(718)
Interest expense	1	1
Tax expense	5,577	7,584
Operating profit before working capital	29,143	38,023
Changes in working capital:		
- inventories	2,368	(7,767)
- receivables, deposits and prepayments	(8,779)	2,485
- payables	3,199	1,138
Cash from operations	25,931	33,879
Interest received	766	718
Interest paid	(1)	(1)
Tax paid	(4,682)	(4,310)
Tax refunded	-	335
Net cash flow from operating activities	22,014	30,621
Investing activities		
Property, plant and equipment		
- purchase	(1,347)	(7,344)
- proceed from disposal	-	58
Purchase of investment	(5,028)	(25)
Net cash flow used in investing activities	(6,375)	(7,311)
Financing activity		
Hire purchase paid	(8)	(5)
Net cash flow used in financing activities	(8)	(5)
Net increase in cash and cash equivalents	15,631	23,305
Cash and cash equivalents		
-at start of the period	141,815	289,050
-at end of the period	157,446	312,355

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying notes attached to the interim financial statements.

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1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2017. 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 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been effect. The comparative in these interim financial have been restated to give effect to these changes and the financial impact on transition from FRS to MFRS as disclosed as follows:

(a) Bearer Plants

The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). On the transitioning date, the Group have elected to use cost model by using the previous revaluation as deemed cost under MFRSs. The revaluation reserve at 1 January 2017 was reclassified to retained earnings.

The cost of plantation expenditure on new planting and replanting of bearer plants and assets in the course of construction are shown as capital works in progress. Depreciation commences when the bearer plants mature or when the assets are ready for use.

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(b) Biological Assets

Prior to the adoption of the amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, biological assets which part of the bearer plants were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less cost to sell. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Financial Position

	-----As at 31 December 2017-----			-----As at 1 January 2017-----		
	Previously reported under FRS RM'000	Effects on adoption of MFRS RM'000	Reported under MFRS RM'000	Previously reported under FRS RM'000	Effects on adoption of MFRS RM'000	Reported under MFRS RM'000
Non-current assets						
Property, plant and equipment	853,647	(424,135)	429,512	842,990	(422,537)	420,453
Biological assets – Bearer Plant	-	225,481	225,481	-	239,095	239,095
Current assets						
Biological assets	-	5,041	5,041	-	9,644	9,644
Equity						
Revaluation reserves	336,572	(336,572)	-	340,793	(340,793)	-
Retained earnings	647,400	142,959	790,359	566,277	166,995	733,272

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Condensed Consolidated Statement of Comprehensive Income

	-----Corresponding Quarter-----		
	Previously reported under FRS RM'000	Effects on adoption of MFRS RM'000	Reported under MFRS RM'000
Other operating income	887	6,978	7,865
Depreciation and amortisation	(2,660)	(4,490)	(7,150)
Operating expenses	(62,501)	528	(61,973)
Profit before tax	33,626	3,016	36,642
Tax expense	(6,860)	(724)	(7,584)
Profit for the quarter	26,766	2,292	29,058
Net profit attributable to:			
Owners of the Company	24,174	1,886	26,060
Non-controlling interests	2,592	406	2,998
	26,766	2,292	29,058

At the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not applied by the Group:

MFRS, IC Interpretation and Amendments to IC Interpretations	Effective for annual periods beginning on or after
MFRS 16 : Lease	1 January 2019
MFRS 128 : Long Term Interest in Associates and Joint Venture (Amendments to MFRS 128)	1 January 2019
MFRS 17 : Insurance Contracts	1 January 2021
Amendments to FRS 10 and FRS 128 Sale and Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

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2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

3. 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 2018.

4. 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 2018.

5. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2017 was not qualified.

6. 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 2018.

7. DIVIDEND PAID

There was no dividend paid in the current quarter.

8. SEGMENTAL REPORTING

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

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9. PROPERTY, PLANT AND EQUIPMENT

The Group upon the adoption of MFRS has elected to use cost model from previous revaluation policy by using the last revaluation as deemed cost.

10. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 31 March 2018.

11. 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 2018.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 15 May 2018.

13. REVIEW OF PERFORMANCE

	3 months ended	
	31.3.2018 RM'000	31.3.2017 (Reported under MFRS) RM'000
Revenue	109,264	92,189
Profit before taxation	31,631	36,642
Net profit for the period	26,054	29,058

Higher revenue for the cumulative current quarter when compared to the corresponding cumulative quarter 2017 was mainly due to:-

- (a) Higher FFB production by 10,358 metric tonne (14%) against production for the period ended 31 March 2017; and
- (b) Higher FFB received and processed by the mill during the period by 33,430 mt (40%) which was 116,040 mt when compared to corresponding period of 2017 which was 82,610 mt.

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Lower profit before tax and net profit after tax was due to higher estate expenditure and milling expenditure by RM3.46 million (22%) and RM24.96 million (42%) respectively.

Note:

Kampong Aur Oil Palm Company (Sdn.) Berhad (“KAOP”) results have been consolidated for the period ended 31 March 2018 in view that control still exists by virtue that the estates are still managed by FEHB’s management. However, total income attributable to the non-controlling interest for Majlis Ugama Islam Dan Adat Resam Melayu Pahang (“MUIP”) had been taken up at shareholdings of 59.39%.

14. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	Current Quarter 31.3.2018 RM’000	Preceding Quarter (Reported under MFRS) 31.12.2017 RM’000
Revenue	109,264	146,541
Profit before taxation	31,631	56,621
Net profit for the period	26,054	40,752

For the current quarter ended 31 March 2018, the Group posted lower revenue, profit before tax and net profit when compared to the preceding quarter 31 December 2017 mainly due to:-

- (a) Lower FFB production by 36,925 metric tonnes (31%) due to exceptionally high rainfall received during the current quarter ended 31 March 2018 resulted in flood which had affected crop recovery.
- (b) Lower average CPO and Kernel prices per metric tonne of RM2,592 and RM2,246 respectively when compared to preceding quarter of RM2,676 and RM2,567 respectively. The CPO and kernel prices were decreased by 3% and 13% respectively as compared to the average prices for the preceding quarter 31 December 2017.

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15. 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 2018.

16. 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 2018.

17. 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 2018.

18. CURRENT YEAR PROSPECTS

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

19. CAPITAL COMMITMENTS

The amounts of capital commitments not provided for in the financial statements are as follow:-

	As at 31.3.2018 RM'000	As at 31.3.2017 RM'000
Property, plant and equipment	5,040	5,478
Oil palm estates development	6,812	4,688
Acquisition of land	16,000	10,000
Total	27,852	20,166

20. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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21. TAXATION

	3 months ended	
	31.3.2018 RM'000	31.3.2017 RM'000
Tax expense	5,577	7,584

The effective tax rate of the Group for the cumulative quarter ended 31 March 2018 and 31 March 2017 is calculated at Malaysian statutory tax rate of 24% based on the assessable profit for the period.

The effective tax rate of the Group for the current quarter and cumulative quarter ended 31 March 2018 and 31 March 2017 was lower than the statutory tax rate due to certain income which was not taxable.

22. STATUS OF CORPORATE PROPOSALS

- (I) Proposed Bonus Issue of 56,556,000 new ordinary shares in FEHB (“FEHB Shares(s)” or “Shares(s)”) (“Bonus Shares(s)”) on the basis of 2 Bonus Shares for every 5 existing FEHB Shares held on an entitlement date to be determined later (“Entitlement Date”) (“Proposed Bonus Issue”); and
- (II) Proposed Share Split involving the subdivision of 1 FEHB Shares held after proposed Bonus Issue into 3 FEHB Shares (“Subdivided Shares”) (“Proposed Share Split”)

(Collectively referred to as “Proposals”)

The above proposals are to be tabled at the forthcoming Extraordinary General Meeting scheduled on 30 May 2018 for the shareholders’ approval.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 31 March 2018, the Group did not enter into any contract involving off balance sheet instruments.

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24. STATUS OF THE MATERIAL LITIGATIONS

There were no material litigation of the Group during the current quarter and cumulative quarter ended 31 March 2018.

25. 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 RM22,968 for the current quarter ended 31 March 2018.

F.E.Rangkaian Sdn Bhd (“FERSB”)

FERSB had recorded a loss before tax of RM412,030 for the current quarter ended 31 March 2018.

26. DIVIDEND

No interim dividend was declared in the period ended 31 March 2018 (31 March 2017: Nil).

27. 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	
	31.3.2018	31.3.2017
Profit attributable to equity holder of the owners of the Company (RM'000)	22,553	26,060
Weighted average number of ordinary shares in issue ('000)	141,390	141,390
Basic EPS (sen)	15.95	18.43

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(ii) Diluted EPS

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

28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 15 May 2018 by the Board of Directors in accordance with the resolution of the Directors.