

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 2019

(The figures have not been audited)

	-----Quarter ended 31 March-----	
	2019	2018
	RM'000	RM'000
Revenue	91,202	109,264
Other operating income	41	8,705
Depreciation and amortisation	(5,562)	(6,982)
Operating expenses	(80,187)	(88,515)
Finance income	147	766
Finance cost	(183)	(1)
Share of profit after tax of equity accounted associates	5,534	8,394
Profit before tax	10,992	31,631
Tax expenses	(2,808)	(5,577)
Net profit for the period	8,184	26,054
Attributable to:		
Owners of the Company	7,876	22,553
Non-controlling interests	308	3,501
	8,184	26,054
Earnings per share attributable to owners of the Company (sen):		
Basic	1.33	15.95
Diluted	1.33	15.95

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

(The figures have not been audited)

	31 March 2019 RM'000	31 December 2018 RM'000
Non current assets		
Property, plant and equipment	582,310	584,892
Land held for disposal	22,413	22,413
Right of use assets	12,175	-
Associates	516,658	516,171
Other financial assets	3,000	3,000
	<u>1,136,556</u>	<u>1,126,476</u>
Current assets		
Other financial assets	3,497	3,467
Inventories	9,252	10,173
Biological asset	3,949	4,649
Receivables, deposits and prepayments	59,501	47,005
Tax recoverable	13,186	11,782
Deposits, bank and cash balances	34,303	34,622
	<u>123,688</u>	<u>111,698</u>
Total assets	<u>1,260,244</u>	<u>1,238,174</u>
Capital and reserves attributable to owners of the Company		
Share capital	197,946	197,946
Retained earnings	897,321	889,445
Shareholders' equity	<u>1,095,267</u>	<u>1,087,391</u>
Non-controlling interests	34,042	33,734
Total equity	<u>1,129,309</u>	<u>1,121,125</u>
Non current liabilities		
Deferred tax liabilities	83,127	83,127
Lease liabilities	12,417	-
	<u>95,544</u>	<u>83,127</u>
Current Liabilities		
Payables	35,041	27,634
Dividend payable	-	5,938
Current tax liabilities	350	350
	<u>35,391</u>	<u>33,922</u>
Total liabilities	<u>130,935</u>	<u>117,049</u>
Total equity and liabilities	<u>1,260,244</u>	<u>1,238,174</u>

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

1.84

1.83

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

(The figures have not been audited)

	----- Attributable to owners of the Company -----					Non-controlling	Total
	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000	interests RM'000	equity RM'000
Balance at 1 January 2019	197,946	-	-	889,445	1,087,391	33,734	1,121,125
Total comprehensive income for the period	-	-	-	7,876	7,876	308	8,184
Balance at 31 March 2019	197,946	-	-	897,321	1,095,267	34,042	1,129,309
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

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For The Three - Months Ended 31 March 2019

(The figures have not been audited)

	----- 3 months ended -----	
	2019	2018
	RM'000	RM'000
Operating activities		
Profit for the period attributable to owners of the Company	7,876	22,553
Adjustments for:		
Non-controlling interests	308	3,501
Property, plant and equipment		
- depreciation	5,562	6,982
Share of profit of associates , net of tax	(5,534)	(8,394)
Interest income	(147)	(766)
Interest expense	183	1
Tax expense	2,808	5,577
Operating profit before working capital	11,056	29,454
Changes in working capital:		
- inventories	920	2,368
- receivables, deposits and prepayments	(12,496)	(8,779)
- payables	8,464	2,888
Cash from operations	7,944	25,931
Interest received	147	766
Interest paid	(183)	(1)
Tax paid	(4,326)	(4,682)
Net cash flow from operating activities	3,582	22,014
Investing activities		
Property, plant and equipment		
- purchase	(2,980)	(1,347)
Purchase of investment	(30)	(5,028)
Dividend received	5,047	-
Net cash flow used in investing activities	2,037	(6,375)
Financing activity		
Hire purchase paid	-	(8)
Dividend paid	(5,938)	-
Net cash flow used in financing activities	(5,938)	(8)
Net increase in cash and cash equivalents	(319)	15,631
Cash and cash equivalents		
-at start of the period	34,622	141,815
-at end of the period	34,303	157,446

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2018. 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 2018.

The accounting policies applied in this interim financial report is the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except for MFRS 16 Leases which the Group has adopted effective 1 January 2019.

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 "Leases" IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases - Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

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The Group has applied the standard using the modified retrospective approach, where cumulative effects of initial application are recognised on 1 January 2019. The Group has also applied the following practical expedients under MFRS 16:

- (a) No adjustments are made on transaction for leases for which the underlying asset is of low value.
- (b) Single discount rate is applied to portfolio of leases with reasonably similar characteristics.

As for lessee accounting, the adoption of MFRS 16 the adjustments arising from the initial application of the new lease model in the opening balances as at 1 January 2019 as disclosed as below:-

**Impact of adoption of MFRS 16 to
opening balance at 1 January 2019
RM'000**

Property, plant and equipment	
- Right of use assets	12,233
	<hr/> <hr/>
Non current liabilities	
- Lease liabilities	12,233
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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:

Effective for financial period beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Framework:

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

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Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

Effective for financial period beginning on or after 1 January 2021

MFRS 2	Insurance Contracts
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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 2019.

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 2019.

5. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2018 was not qualified.

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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 2019.

7. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended	
	31.3.2019	31.3.2018
	RM'000	RM'000
Interim dividend	5,938 ¹	-

Note:

1 An interim single tier dividend of one (1) sen per share for the financial year ended 31 December 2018 was paid on 15 January 2019. The amount was taken-up in the retained earnings for the financial year ended 31 December 2018.

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.

9. PROPERTY, PLANT AND EQUIPMENT

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

10. SUBSEQUENT MATERIAL EVENTS

The Company on 29 April 2019 had announced the proposed acquisition of 2,134 hectares oil palm plantation land inclusive of a palm oil mill from Harn Len Corporation Bhd. at an agreed aggregate purchase price of RM182,990,440.00.

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 2019.

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12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 16 May 2019.

13. REVIEW OF PERFORMANCE

	3 months ended	
	31.3.2019	31.3.2018
	RM'000	RM'000
Revenue	91,202	109,264
Profit before tax	10,992	31,631
Net profit for the period	8,184	26,054

Lower revenue, profit before tax and net profit for the current quarter when compared to the corresponding quarter 2018 was mainly due to:-

- (a) Lower FFB production by 12,971 metric tonnes (16%), due to the exclusion of production from estates under Kampong Aur Oil Palm Company (Sdn.) Berhad (“KAOP”) Group effective 1 July 2018.
- (b) Lower average of CPO and PK prices per metric tonne by 22% and 42% respectively. The average CPO price per metric tonne was RM2,015 (2018: RM2,592) and the average PK price per metric tonne was RM1,293 (2018: RM2,246); and
- (c) Lower share of profits from associated companies of RM2.86 million (34%) mainly due to:-
 - (i) Lower share of profit from Prosper Palm Oil Mill Sdn. Berhad by RM3.21 million (62%) which was RM1.95 million against RM5.16 million of share of profit recorded in the corresponding period of 2018; and
 - (ii) Lower share of profit from Future Prelude Sdn. Bhd. by RM1.88 million (47%) which was RM2.16 million against RM4.04 million of share of profit in the corresponding period of 2018.
- (d) Loss on fair value of FFB of RM0.70 million for the current period under review compared to fair value gain on FFB of RM7.53 million

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recorded in the last year corresponding period. This is due to lower average CPO and PK prices in current period under review.

14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.3.2019 RM'000	Preceding Quarter 31.12.2018 RM'000
Revenue	91,202	88,139
Profit before tax	10,992	7,422
Net profit for the period	8,184	4,919

For the current quarter ended 31 March 2019, the Group posted higher revenue, profit before tax and net profit when compared to the preceding quarter ended 31 December 2018 mainly due to:-

- (a) Higher average of CPO price per metric tonne by 6%. The average CPO price per metric tonne for the current quarter was RM2,015 when compared to preceding quarter ended 31 December 2018 which was RM1,908;
- (b) Higher FFB received and processed by the mill by 36,410 mt (45%) which was 117,380 mt when compared to preceding quarter ended 31 December 2018 which was 80,970 mt; and
- (c) Higher share of profits from associated company by RM4.94 million (823%) which was RM5.53 million against profit contributed in preceding quarter of RM0.60 million.

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 2019.

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 2019.

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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 2019.

18. CURRENT YEAR PROSPECTS

The financial results of the Group are expected to be affected in view of volatility of crude palm oil and palm kernel prices.

19. CAPITAL COMMITMENTS

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

	As at 31.3.2019 RM'000	As at 31.3.2018 RM'000
Property, plant and equipment	12,452	5,040
Oil palm estates development	10,927	6,812
Acquisition of land	25,400	16,000
Total	48,779	27,852

20. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

21. TAXATION

	3 months ended	
	31.3.2019 RM'000	31.3.2018 RM'000
Tax expenses	2,808	5,577

The effective tax rate of the Group for the cumulative quarter ended 31 March 2019 and 31 March 2018 is calculated at Malaysian statutory tax rate of 24% based on the assessable profit for the year.

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

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22. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter ended 31 March 2019.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 31 March 2019, the Group did not enter into any contract involving off balance sheet instruments.

24. STATUS OF THE MATERIAL LITIGATIONS

There were no material litigation of the Group during the current quarter and cumulative quarter ended 31 March 2019.

25. STATUS ON THE JOINT VENTURE PROJECT

The status on the joint venture project for the development of oil palm plantation between Far East Holdings Berhad and Rangkaian Delima Sdn Bhd

(i) Far East Delima Plantations Sdn. Bhd. (“FEDP”)

FEDP had recorded an unaudited loss before tax of RM305,256 for the current quarter ended 31 March 2019.

(ii) F.E.Rangkaian Sdn. Bhd. (“FERSB”)

FERSB had recorded an unaudited loss before tax of RM596,200 for the current quarter ended 31 March 2019.

26. INVESTMENT IN FUTURE PRELUDE SDN. BHD. (“FPSB”)

FPSB recorded unaudited profit before tax of RM4.63 million for the current quarter ended 31 March 2019.

27. DIVIDEND

No interim dividend was declared in the period ended 31 March 2019 (31 March 2018: Nil).

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28. 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	
	31.3.2019	31.3.2018
Profit attributable to equity holder of the owners of the Company (RM'000)	7,876	22,553
Weighted average number of ordinary shares in issue ('000)	593,838	141,390
Basic EPS (sen)	1.33^{Note 1}	15.95

Note 1

The total share capital is 593,837,985 units (31.3.2018 : 141,390,000 units).

(ii) Diluted EPS

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

29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 16 May 2019 by the Board of Directors in accordance with the resolution of the Directors.