

# INDEPENDENT AUDITORS' REPORT

To the Members of Far East Holdings Berhad  
 Registration No.: 197301001753 (14809-W)  
 (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Far East Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

### Key Audit Matters

Key audit matters are those matter that, in our professional judgement, were of the most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	Our audit performed and responses thereon
<p><u>Equity accounting for associates</u></p> <p>As disclosed in Note 13 to the financial statements, the Group has interest in a significant associate, Prosper Palm Oil Mill Sdn. Berhad ("PPOM"), which has significant associates of its own and with the existence of substantial cross shareholdings in the Group.</p> <p>Given the highly complex group structure which involves cross shareholdings, we identified the accounting for equity accounted associates as a key audit matter in view of the risk that the associates may not have been properly accounted for and disclosed appropriately due to the following reasons:</p> <p>(i) The magnitude of the balances; and                      (ii) The complexity of the group structure where significant time and effort was spent to understand the group structures of the associates (including its various sub-groups) during our review of the opening balances as the first year auditors of the Group. The understanding process is further complicated by the varied locations and different management teams involved in the associates.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained the larger corporate structure of which the Group is a component and performed reviews on the understanding and navigation of the various entities involved and the manner in which the financial results of these various entities are consolidated and/or equity accounted and/or both.</li> <li>• Close interactions with the predecessor auditors and various component auditors including the reviews of consolidation and audit files.</li> <li>• Performed reviews with regards to the cross shareholdings and the adjustments involving the elimination of the Group's own results as the Group equity accounts for its share of profits of PPOM, which has an indirect equity interest in the Group.</li> <li>• Performed recomputation of the post-acquisition change in the Group's share of net assets of PPOM in prior years to ensure that the prior year adjustments been properly effected.</li> </ul>