

FAR EAST HOLDINGS BERHAD

Company No : 14809-W

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the Six - Months Ended 30 June 2014**

	3 months ended		6 months ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	111,598	91,532	217,134	184,732
Other operating income	1,420	1,672	2,910	2,906
Depreciation and amortisation	(2,507)	(2,773)	(5,377)	(5,533)
Operating expenses	(86,665)	(82,263)	(167,796)	(160,022)
Finance income	1,266	1,303	2,551	2,340
Share of profit after tax of equity accounted associates	4,488	2,212	9,074	5,708
Profit before taxation	29,600	11,683	58,496	30,131
Taxation	(6,228)	(2,356)	(12,306)	(6,094)
Net profit for the period	23,372	9,327	46,190	24,037
Attributable to:				
Owners of the Company	21,236	8,432	41,908	21,996
Non-controlling interests	2,136	895	4,282	2,041
	23,372	9,327	46,190	24,037
Earnings per share attributable to owners of the Company (sen):				
Basic	15.02	5.96	29.64	15.56
Diluted	15.02	5.96	29.64	15.56

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the Six - Months Ended 30 June 2014**

	3 months ended		6 months ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	23,372	9,327	46,190	24,037
Other comprehensive income				
<u>Items that will not be reclassified subsequently to profit or loss:</u>				
- Transfer from revaluation reserve	750	750	1,500	1,500
- Transfer to retained earnings	(750)	(750)	(1,500)	(1,500)
Total comprehensive income	23,372	9,327	46,190	24,037
Total comprehensive income attributable to:				
Owners of the Company	21,236	8,432	41,908	21,996
Non-controlling interests	2,136	895	4,282	2,041
	23,372	9,327	46,190	24,037

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.

FAR EAST HOLDINGS BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At 30 June 2014

	As at 30-Jun-14 RM'000 Unaudited	As at 31-Dec-13 RM'000 Audited
Non Current Assets		
Property, plant and equipment	689,633	686,592
Land held for disposal	29,263	29,263
Associates	301,211	292,137
	<u>1,020,107</u>	<u>1,007,992</u>
Current Assets		
Other financial assets	3,073	3,032
Inventories	6,335	8,046
Receivables, deposits and prepayments	80,763	71,560
Tax recoverable	1,028	983
Deposits, bank and cash balances	226,093	205,651
	<u>317,292</u>	<u>289,272</u>
Less: Current Liabilities		
Payables	49,439	34,602
Dividend payable	-	14,139
Current tax liabilities	2,335	1,330
	<u>51,774</u>	<u>50,071</u>
Net Current Assets	<u>265,518</u>	<u>239,201</u>
Non Current Liabilities		
Deferred tax liabilities	128,350	128,350
	<u>1,157,275</u>	<u>1,118,843</u>
Capital and reserves attributable to owners of the Company		
Share capital	141,390	141,390
Share premium	47,998	47,998
Revaluation reserve	305,186	306,686
Retained earnings	596,020	552,612
Shareholders' equity	1,090,594	1,048,686
Non-controlling interests	66,681	70,157
Total equity	<u>1,157,275</u>	<u>1,118,843</u>
Net assets per share attributable to owners of the Company (RM)	7.71	7.42

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six - Months Ended 30 June 2014

[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
At 1 January 2013	141,390	47,998	309,686	514,288	1,013,362	67,909	1,081,271
Profit for the period	-	-	-	21,996	21,996	2,041	24,037
Other comprehensive income	-	-	(1,500)	1,500	-	-	-
Total comprehensive income	-	-	(1,500)	23,496	21,996	2,041	24,037
Dividend paid to non-controlling interest	-	-	-	-	-	(4,527)	(4,527)
At 30 June 2013	141,390	47,998	308,186	537,784	1,035,358	65,423	1,100,781
At 1 January 2014	141,390	47,998	306,686	552,612	1,048,686	70,157	1,118,843
Profit for the period	-	-	-	41,908	41,908	4,282	46,190
Other comprehensive income	-	-	(1,500)	1,500	-	-	-
Total comprehensive income	-	-	(1,500)	43,408	41,908	4,282	46,190
Dividend paid to non-controlling interest	-	-	-	-	-	(7,758)	(7,758)
At 30 June 2014	141,390	47,998	305,186	596,020	1,090,594	66,681	1,157,275

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For the Six - Months Ended 30 June 2014

	6 months and year-to-date ended	
	30-Jun-14	30-Jun-13
	RM'000	RM'000
	Unaudited	Unaudited
Operating activities		
Profit for the period attributable to owners of the Company	41,908	21,996
Adjustments for:		
Non-controlling interests	(3,476)	(2,041)
Property, plant and equipment		
- depreciation	5,377	5,533
- written off and other adjustment	-	4
Share of profit of associates , net of tax	(9,074)	(5,708)
Interest income	(2,551)	(2,340)
Tax expense	12,306	6,094
Operating profit before working capital	<u>44,490</u>	<u>23,538</u>
Changes in working capital:		
- inventories	1,711	3,585
- receivables, deposits and prepayments	(9,203)	26,087
- payables	13,939	(8,520)
Cash from operations	<u>50,937</u>	<u>44,690</u>
Interest received	2,551	2,340
Tax paid	(10,448)	(11,292)
Net cash flow from operating activities	<u>43,040</u>	<u>35,738</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW For the Six - Months Ended 30 June 2014

	6 months and year-to-date ended	
	30-Jun-14	30-Jun-13
	RM'000	RM'000
	Unaudited	Unaudited
Investing activities		
Property, plant and equipment		
- purchase	(8,418)	(7,917)
Proceed from disposal of investment	-	10,736
Purchase of short-term investment	(41)	-
Net cash flow from investing activities	<u>(8,459)</u>	<u>2,819</u>
Financing activities		
Dividend paid	<u>(14,139)</u>	<u>(10,604)</u>
Net cash used in financing activities	<u>(14,139)</u>	<u>(10,604)</u>
Net increase in cash and cash equivalents	20,442	27,953
Cash and cash equivalents		
-at start of the period	<u>205,651</u>	<u>162,483</u>
-at end of the period	<u>226,093</u>	<u>190,436</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.

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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 2013. 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 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following:-

2.1 Effective for financial periods beginning on or after 1 January 2014

FRS 10, FRS 12 and FRS 127	Investment Entities (Amendments to FRS 10, FRS 12 and FRS 127)
Amendment to FRS 132	Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendment to FRS 136	Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets
Amendment to FRS 139	Financial Instruments: Recognised and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Effective for financial periods beginning on or after 1 July 2014

Amendments to FRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to FRSs 2010 – 2012 Cycle:	
Amendment to FRS 2	Share-based Payment
Amendment to FRS 3	Business Combinations
Amendment to FRS 8	Operating Segments
Amendment to FRS 13	Fair Value Measurement
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 124	Related Party Disclosures
Amendment to FRS 138	Intangible Assets

Annual Improvements to FRSs 2011 – 2013 Cycle:

Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 3	Business Combinations
Amendment to FRS 13	Fair Value Measurement
Amendment to FRS 140	Investment Property

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 financials 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 venture (herein called “Transitioning Entities”).

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On 7 August 2013, MASB announced that it will permit Transitioning Entities to defer the adoption of the new MFRS Framework until annual periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. 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 2015. 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 profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

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 30 June 2014.

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 30 June 2014.

6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2013 was not qualified.

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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 30 June 2014.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		6 months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Interim dividend	14,139 ²	10,604 ¹	14,139 ²	10,604 ¹

Note:

- 1 An interim single tier dividend of seven point five (7.5) sen per share for the financial year ended 31 December 2012 was paid on 16 January 2013. The amount was taken-up in the retained earnings for the financial year ended 31 December 2012.
- 2 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 2013.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 30 June 2014.

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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 30 June 2014.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the final award dated 19 September 2012 from the Arbitrator as per announcement dated 27 September 2012 (Note 26).

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	111,598	91,532	217,134	184,732
Profit before taxation	29,600	11,683	58,496	30,131
Net profit for the period	23,372	9,327	46,190	24,037

Higher revenue, profit before taxation and net profit for the cumulative quarter ended 30 June 2014 when compared to the corresponding cumulative quarter ended 30 June 2013 were mainly due to:-

- (i) Higher average CPO and kernel prices during the period of RM2,626 per mt and RM2,031 per mt respectively when compared to RM2,327 per mt and RM1,217 per mt respectively for the corresponding period of 2013.
- (ii) Higher FFB production by 17,152 metric tonnes (13%).
- (iii) Higher of average OER achieved of 19.09% when compared to 18.72% for the corresponding period of 2013.
- (iv) Higher contribution from the share of profits from associated companies by RM3.37 million (59%).

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.6.2014 RM'000	Preceding Quarter 31.3.2014 RM'000
Revenue	111,598	105,536
Profit before taxation	29,600	28,896
Net profit for the period	23,372	22,818

The Group posted higher revenue, profit before taxation and net profit before tax when compared to the preceding quarter 31 March 2014 were mainly due to:-

- (i) Higher contribution from the share of profits from associated companies by RM4.49 million (98%).
- (ii) Higher FFB production by 8,839 metric tonnes (12%).

16. OTHER OPERATING INCOME

	3 months ended		6 months ended	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
- Net sales of scout harvesting	700	704	1,309	1,136
- Net sales of FFB from "tapping right" area	349	252	746	516
- Net sales of seedlings	11	79	41	94
- Net sales of palm kernel shell and others	336	588	765	1,083
- Rental income	21	21	44	42
- Others	3	28	5	35
Total	1,420	1,672	2,910	2,906

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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 30 June 2014.

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 30 June 2014.

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 30 June 2014.

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 30.6.2014 RM'000	As at 30.6.2013 RM'000
Property, plant and equipment	6,012	9,272
Oil palm estates development	12,490	9,053
Acquisition of land	40,000	40,000
Total capital commitments	58,502	58,325

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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23. TAXATION

	3 months ended		6 months ended	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Tax expense	6,278	2,368	12,356	6,106
Over provision in prior year	(50)	(12)	(50)	(12)
Total	6,228	2,356	12,306	6,094

The effective tax rate of the Group for the cumulative quarter ended 30 June 2014 and 30 June 2013 is calculated at Malaysian statutory tax rate of 25% of the estimated assessable profit for the period.

The effective tax rate of the Group for the cumulative quarter ended 30 June 2014 and 30 June 2013 was lower than the statutory tax rate due to certain income which not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and cumulative quarter ended 30 June 2014.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 June 2014, the Group did not enter into any contract involving off balance sheet instruments.

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26. STATUS OF THE MATERIAL LITIGATIONS

Appeal by FEHB/KAOP

**COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2672-12/2013
(IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS
NO.24NCC(ARB)-46-11/2012)**

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
(IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS
NO. 24NCC(ARB)-54-11/2012)**

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
(IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS
NO. 24NCC(ARB)-54-11/2012)**

- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Appellant
- And**
1. Far East Holdings Berhad
 2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Respondents

The hearing for the above appeals would be held on 3 September 2014.

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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 profit before tax of RM3.16 million for the current quarter ended 30 June 2014.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,401.30 hectares have been developed. FERSB had recorded a loss before tax of RM162,943 for the current quarter ended 30 June 2014.

- (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 RM1.50 million for the current quarter ended 30 June 2014.

28. DIVIDEND

- (i) **Current quarter for the financial period ending 30 June 2014**

Dividend for the financial year ended 31 December 2013:

On 16 April 2014, the Company had announced recommendation for 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 payment date was on 18 July 2014.

- (ii) **Current quarter for the financial period ending 30 June 2013**

Dividend for the financial year ended 31 December 2012:

On 9 April 2013, the Company had announced recommendation for a final single tier dividend of 17.5 sen per ordinary share for the financial year ended 31 December 2012 and the dividend was approved at Annual General Meeting on 19 June 2013 and the payment date was on 8 July 2013.

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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		6 months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Profit attributable to equity holder of the owners of the Company (RM'000)	21,236	8,432	41,908	21,996
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	15.02	5.96	29.64	15.56

(b) Diluted EPS

There was no diluting factor to earnings per share for the current quarter and the figure is the same as basic earnings per share.

30. RETAINED EARNINGS

	As at 30.6.2014 Unaudited RM'000	As at 31.12.2013 Audited RM'000
Realised	611,062	569,154
Unrealised	(15,042)	(16,542)
Total Retained Earnings	596,020	552,612

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 22 August 2014 by the Board of Directors in accordance with a resolution of the Directors.