

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 2015

	3 months ended		6 months ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	68,587	111,598	139,621	217,134
Other operating income	1,354	1,420	2,174	2,910
Depreciation and amortisation	(2,713)	(2,507)	(5,346)	(5,377)
Operating expenses	(53,360)	(86,665)	(114,521)	(167,796)
Finance income	1,998	1,266	3,461	2,551
Share of profit after tax of equity accounted associates	2,446	4,488	4,868	9,074
Profit before taxation	18,312	29,600	30,257	58,496
Taxation	(3,814)	(6,228)	(6,171)	(12,306)
Net profit for the period	14,498	23,372	24,086	46,190
Attributable to:				
Owners of the Company	11,729	21,236	20,832	41,908
Non-controlling interests	2,769	2,136	3,254	4,282
	14,498	23,372	24,086	46,190
Earnings per share attributable to owners of the Company (sen):				
Basic	8.30	15.02	14.73	29.64
Diluted	8.30	15.02	14.73	29.64

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying notes attached to the interim financial statements.

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For the Six - Months Ended 30 June 2015

	3 months ended		6 months ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	14,498	23,372	24,086	46,190
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	14,498	23,372	24,086	46,190
Total comprehensive income attributable to:				
Owners of the Company	11,729	21,236	20,832	41,908
Non-controlling interests	2,769	2,136	3,254	4,282
	14,498	23,372	24,086	46,190

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 30 June 2015

	As at 30-Jun-15 RM'000 Unaudited	As at 31-Dec-14 RM'000 Audited
Non Current Assets		
Property, plant and equipment	691,107	690,147
Land held for disposal	22,413	22,413
Associates	311,084	306,216
	<u>1,024,604</u>	<u>1,018,776</u>
Current Assets		
Inventories	11,407	5,431
Other financial assets	1,159	3,120
Receivables, deposits and prepayments	74,997	73,053
Tax recoverable	7,430	2,521
Deposits, bank and cash balances	243,909	232,520
	<u>338,902</u>	<u>316,645</u>
Less: Current Liabilities		
Payables	42,691	29,528
Current tax liabilities	169	151
	<u>42,860</u>	<u>29,679</u>
Net Current Assets	<u>296,042</u>	<u>286,966</u>
Non Current Liabilities		
Deferred tax liabilities	129,386	129,386
	<u>1,191,260</u>	<u>1,176,356</u>
Capital and reserves attributable to owners of the Company		
Share capital	141,390	141,390
Share premium	47,998	47,998
Revaluation reserve	302,187	303,687
Retained earnings	635,316	612,984
Shareholders' equity	<u>1,126,891</u>	<u>1,106,059</u>
Non-controlling interests	64,369	70,297
Total equity	<u>1,191,260</u>	<u>1,176,356</u>

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

7.97

7.82

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 CHANGES IN EQUITY

For the Six - Months Ended 30 June 2015

[The figures have not been audited]

	----- Attributable to owners of the Company -----					Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserves	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
At 1 January 2015	141,390	47,998	303,687	612,984	1,106,059	70,297	1,176,356
Profit for the period	-	-	-	20,832	20,832	3,254	24,086
Other comprehensive income	-	-	(1,500)	1,500	-	-	-
Total comprehensive income	-	-	(1,500)	22,332	20,832	3,254	24,086
Dividend paid to non-controlling interest	-	-	-	-	-	(9,182)	(9,182)
At 30 June 2015	141,390	47,998	302,187	635,316	1,126,891	64,369	1,191,260

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

FAR EAST HOLDINGS BERHAD**Company No : 14809-W**

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**For the Six - Months Ended 30 June 2015**

	6 months and year-to-date ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
	Unaudited	Unaudited
Operating activities		
Profit for the period attributable to owners of the Company	20,832	41,908
Adjustments for:		
Non-controlling interests	(5,928)	(3,476)
Property, plant and equipment		
- depreciation	5,346	5,377
Share of profit of associates , net of tax	(4,868)	(9,074)
Interest income	(3,461)	(2,551)
Tax expense	6,171	12,306
Operating profit before working capital	<u>18,092</u>	<u>44,490</u>
Changes in working capital:		
- inventories	(5,976)	1,711
- receivables, deposits and prepayments	(1,944)	(9,203)
- payables	13,659	13,939
Cash from operations	<u>23,831</u>	<u>50,937</u>
Interest received	3,461	2,551
Tax paid	(11,558)	(10,448)
Net cash flow from operating activities	<u>15,734</u>	<u>43,040</u>

FAR EAST HOLDINGS BERHAD

Company No : 14809-W

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For the Six - Months Ended 30 June 2015

	6 months and year-to-date ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
	Unaudited	Unaudited
Investing activities		
Property, plant and equipment		
- purchase	(6,306)	(8,418)
Proceed from disposal of investment	1,961	-
Purchase of short-term investment	-	(41)
Net cash flow used in investing activities	<u>(4,345)</u>	<u>(8,459)</u>
Financing activities		
Dividend paid	-	(14,139)
Net cash used in financing activities	<u>-</u>	<u>(14,139)</u>
Net increase in cash and cash equivalents	11,389	20,442
Cash and cash equivalents		
-at start of the period	<u>232,520</u>	<u>205,651</u>
-at end of the period	<u>243,909</u>	<u>226,093</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying notes attached to the interim financial statements.

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 financial periods beginning on or after 1 July 2014

Amendments to FRS 119 : Defined Benefit Plans : Employee Contributions

Annual Improvements to : 2012 Cycle
FRSs 2010

Annual Improvements to : 2013 Cycle
FRSs 2011

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

Amendments to FRS 11	: Accounting for Acquisition of Interest in Joint Operations
Amendment to FRS 116 and FRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to FRS 10 and FRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendment to FRS 127	: Equity Method in Separate Financial Statements
Amendment to FRS 101	: Disclosure Initiative
Amendment to FRS 10, RFS 12 and FRS 18	: Investment Entitles: Applying the Consolidation Exception
Annual Improvements to FRSs 2012	: 2014 Cycle
FRS 14	: Regulatory Deferral Accounts

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

FRS 9	: Financial Instruments
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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 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of MFRS

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W

(Incorporated in Malaysia)

Framework for another year. Therefore, the MFRS Framework will be 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 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

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 2017. 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 2017.

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 2015.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

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 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 cumulative quarter ended 30 June 2015.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		6 months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Interim dividend	-	14,139 ¹	-	14,139 ¹

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.

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 2014.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 30 June 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 cumulative quarter ended 30 June 2015.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the Court of Appeal decision on 31 July 2015 relating to the court cases as per Note 26. The relevant announcement was released to Bursa Malaysia on 4 August 2015.

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2014 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Revenue	68,587	111,598	139,621	217,134
Profit before taxation	18,312	29,600	30,257	58,496
Net profit for the period	14,498	23,372	24,086	46,190

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

- (i) Lower average CPO and kernel prices during the period of RM2,236 per mt and RM1,708 per mt respectively when compared to RM2,626 per mt and RM2,031 per mt respectively for the corresponding period of 2014. A reduction of 15% and 16% for CPO and kernel prices respectively as compared to the corresponding period 2014.
- (ii) Lower FFB production by 9,402 metric tonnes (6%).
- (iii) Lower crop received and processed by the mill during the period by 6,200 mt (3%) which was 179,860 mt when compared to the corresponding period of 2014 which was 186,060 mt coupled with lower CPO and PK prices in the current quarter.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W

(Incorporated in Malaysia)

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.6.2015 RM'000	Preceding Quarter 31.3.2015 RM'000
Revenue	68,587	71,034
Profit before taxation	18,312	11,945
Net profit for the period	14,498	9,588

For the current quarter ended 30 June 2015, the Group posted lower revenue when compared to the preceding quarter 31 March 2015 which was lower by RM2.44 million (3%) due to lower average prices of crude palm oil and kernel. Higher profit before taxation and net profit before tax when compared to the preceding quarter 31 March 2015 were mainly due to:-

- (i) Lower operating expenses by RM7.76 million (13%).
- (ii) Higher in other operating income and finance income by RM0.53 million (65%) and RM0.54 million (37%) respectively.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W

(Incorporated in Malaysia)

16. OTHER OPERATING INCOME

	3 months ended		6 months ended	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
- Net sales of scout harvesting	418	700	726	1,309
- Net sales of FFB from "tapping right" area	448	349	557	746
- Net sales of seedlings	4	11	39	41
- Net sales of palm kernel shell and others	279	336	487	765
- Rental income	60	21	95	44
- Others	145	3	270	5
Total	1,354	1,420	2,174	2,910

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 2015.

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 2015.

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 2015.

20. CURRENT YEAR PROSPECTS

The Group is expected to achieve lower profits in view of lower crude palm oil and kernel prices.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

21. CAPITAL COMMITMENTS

The amount of capital commitments not provided for in the financial statements is as follow:-

	As at 30.6.2015 RM'000	As at 30.6.2014 RM'000
Property, plant and equipment	8,751	6,012
Oil palm estates development	9,810	12,490
Acquisition of land	40,000	40,000
Total capital commitments	58,561	58,502

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended		6 months ended	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Tax expense	3,991	6,278	6,348	12,356
Over provision in prior year	(177)	(50)	(177)	(50)
Total	3,814	6,228	6,171	12,306

The effective tax rate of the Group for the cumulative quarter ended 30 June 2015 and 30 June 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 cumulative quarter ended 30 June 2015 and 30 June 2014 was lower than the statutory tax rate due to certain income which is not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and cumulative quarter ended 30 June 2015.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 June 2015, the Group did not enter into any contract involving off balance sheet instruments.

26. STATUS OF THE MATERIAL LITIGATIONS

Appeal by FEHB/KAOP

COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2672-12/2013

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

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

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

As announced to Bursa Malaysia on 4 August 2015, the learned Judges dismissed all the three (3) appeals and ordered that the appellants in Civil Appeal number W-02(NCC)(A)-2672-12/2013 to pay costs of RM50,000.00 to the respondent.

The Board of Directors of FEHB after consultation with the legal Counsel of the Company had resolved to apply for a stay of execution of the Judgment and also to file leave to appeal to the Federal Court against the said Judgment of the Court of Appeal.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W

(Incorporated in Malaysia)

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 loss before tax of RM664,327 for the current quarter ended 30 June 2015.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,459.80 hectares have been developed. FERSB had recorded a loss before tax of RM352,480 for the current quarter ended 30 June 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 RM144,609 for the current quarter ended 30 June 2015.

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W
(Incorporated in Malaysia)

28. DIVIDEND

(i) Current quarter for the financial period ending 30 June 2015

Dividend for the financial year ended 31 December 2014:

On 15 April 2015, the Company had announced recommendation for 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 on 10 June 2015 and the payment date was on 15 July 2015.

(ii) 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.

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		6 months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Profit attributable to equity holder of the owners of the Company (RM'000)	11,729	21,236	20,832	41,908
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	8.30	15.02	14.73	29.64

(ii) Diluted EPS

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

FAR EAST HOLDINGS BERHAD

Company No : 14809 - W

(Incorporated in Malaysia)

30. RETAINED EARNINGS

	As at 30.6.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
Realised	648,323	627,491
Unrealised	(13,007)	(14,507)
Total Retained Earnings	635,316	612,984

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 18 August 2015 by the Board of Directors in accordance with a resolution of the Directors.