

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 2016

	3 months ended		6 months ended	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	79,873	68,587	140,724	139,621
Other operating income	1,288	1,354	2,212	2,174
Depreciation and amortisation	(2,886)	(2,713)	(5,770)	(5,346)
Operating expenses	(64,716)	(53,360)	(115,066)	(114,521)
Finance income	718	1,998	1,538	3,461
Finance cost	(1)	-	(2)	-
Share of profit after tax of equity accounted associates	(510)	2,446	1,961	4,868
Profit before taxation	13,766	18,312	25,597	30,257
Taxation	(3,209)	(3,814)	(5,526)	(6,171)
Net profit for the period	10,557	14,498	20,071	24,086
Attributable to:				
Owners of the Company	7,578	11,729	15,930	20,832
Non-controlling interests	2,979	2,769	4,141	3,254
	10,557	14,498	20,071	24,086
Earnings per share attributable to owners of the Company (sen):				
Basic	5.36	8.30	11.27	14.73
Diluted	5.36	8.30	11.27	14.73

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying notes attached to the interim financial statements.

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the Six - Months Ended 30 June 2016**

	3 months ended		6 months ended	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	10,557	14,498	20,071	24,086
Other comprehensive income				
<u>Items that will not be reclassified subsequently to profit or loss:</u>				
- Transfer from revaluation reserve	1,000	750	2,000	1,500
- Transfer to retained earnings	(1,000)	(750)	(2,000)	(1,500)
Total comprehensive income	10,557	14,498	20,071	24,086
Total comprehensive income attributable to:				
Owners of the Company	7,578	11,729	15,930	20,832
Non-controlling interests	2,979	2,769	4,141	3,254
	10,557	14,498	20,071	24,086

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	As at 30-Jun-16 RM'000 Unaudited	As at 31-Dec-15 RM'000 Audited
Non Current Assets		
Property, plant and equipment	844,575	839,517
Land held for disposal	22,413	22,413
Associates	322,544	320,583
Other Investment	3,000	3,000
	<u>1,192,532</u>	<u>1,185,513</u>
Current Assets		
Other financial assets	3,194	165
Inventories	5,378	5,291
Receivables, deposits and prepayments	74,239	56,973
Tax recoverable	4,901	1,490
Deposits, bank and cash balances	252,885	276,004
	<u>340,597</u>	<u>339,923</u>
Less: Current Liabilities		
Payables	58,565	28,944
Dividend payable	-	14,139
Hire purchase creditor	38	35
Current tax liabilities	414	874
	<u>59,017</u>	<u>43,992</u>
Net Current Assets	<u>281,580</u>	<u>295,931</u>
Non Current Liabilities		
Deferred tax liabilities	166,157	166,157
Hire purchase liabilities	44	59
	<u>166,201</u>	<u>166,216</u>
	<u>1,307,911</u>	<u>1,315,228</u>
Capital and reserves attributable to owners of the Company		
Share capital	141,390	141,390
Share premium	47,998	47,998
Revaluation reserves	400,834	402,834
Retained earnings	642,352	645,631
Shareholders' equity	<u>1,232,574</u>	<u>1,237,853</u>
Non-controlling interests	75,337	77,375
Total equity	<u>1,307,911</u>	<u>1,315,228</u>
Net assets per share attributable to owners of the Company (RM)	8.72	8.75

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

[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 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
At 1 January 2016	141,390	47,998	402,834	645,631	1,237,853	77,375	1,315,228
Profit for the period	-	-	-	15,930	15,930	4,141	20,071
Other comprehensive income	-	-	(2,000)	2,000	-	-	-
Total comprehensive income	-	-	(2,000)	17,930	15,930	4,141	20,071
Dividend paid	-	-	-	(21,209)	(21,209)	-	(21,209)
Dividend paid to non-controlling interest	-	-	-	-	-	(6,179)	(6,179)
At 30 June 2016	141,390	47,998	400,834	642,352	1,232,574	75,337	1,307,911

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	6 months and year-to-date ended	
	30-Jun-16	30-Jun-15
	RM'000	RM'000
	Unaudited	Unaudited
Operating activities		
Profit for the period attributable to owners of the Company	15,930	20,832
Adjustments for:		
Non-controlling interests	4,141	3,254
Property, plant and equipment		
- depreciation	5,770	5,346
- gain on disposal	(92)	-
Share of profit of associates , net of tax	(1,961)	(4,868)
Interest income	(1,538)	(3,461)
Tax expense	5,526	6,171
Operating profit before working capital	<u>27,776</u>	<u>27,274</u>
Changes in working capital:		
- inventories	(87)	(5,976)
- receivables, deposits and prepayments	(17,265)	(1,944)
- payables	28,824	13,659
Cash from operations	<u>39,248</u>	<u>33,013</u>
Interest received	1,538	3,461
Tax refunded	300	-
Tax paid	(8,900)	(11,558)
Net cash flow from operating activities	<u>32,186</u>	<u>24,916</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW For the Six - Months Ended 30 June 2016

	6 months and year-to-date ended	
	30-Jun-16	30-Jun-15
	RM'000	RM'000
	Unaudited	Unaudited
Investing activities		
Property, plant and equipment		
- purchase	(10,829)	(6,306)
- proceed from disposal	92	-
Purchase of investment	(3,029)	-
Proceed from disposal of investment	-	1,961
Net cash flow used in investing activities	<u>(13,766)</u>	<u>(4,345)</u>
Financing activities		
Hire purchase paid	(12)	-
Dividend paid	(41,527)	(9,182)
Net cash used in financing activities	<u>(41,539)</u>	<u>(9,182)</u>
Net (decrease)/increase in cash and cash equivalents	(23,119)	11,389
Cash and cash equivalents		
-at start of the period	276,004	232,520
-at end of the period	<u>252,885</u>	<u>243,909</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2015. 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 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, 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 January 2016

Amendments to FRS 10, FRS 12 and FRS 128	: Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	: Accounting for Acquisitions of Interests in Joint Operations
FRS 14	: Regulatory Deferral Accounts
Amendments to FRS 101	: Disclosure Initiative
Amendments to FRS 116 and FRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to FRS 127	: Equity Method in Separate Financial Statements
Amendment to FRS 10 and FRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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Annual Improvements to FRSs 2012 – 2014 Cycle:

- Amendments to FRS 5 : Non-Current Assets Held for sale and Discontinued Operations
- Amendments to FRS 7 : Financial Instruments: Disclosure
- Amendments to FRS 119 : Employee Benefits
- Amendments to FRS 134 : Interim Financial Reporting

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

- FRS 9 : Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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

The Group falls within the scope definition of Transitioning Entities which are allowed to defer adoption of the Malaysian Financial Reporting Standards (“MFRS”) Framework. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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 2018. 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 2018.

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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 2016.

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 2016.

6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2015 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 2016.

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8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Interim dividend	-	-	14,139 ¹	-
Final dividend	21,209 ²	-	21,209 ²	-
Total	21,209	-	35,348	-

Note:

- 1 An interim single tier dividend of ten (10.0) sen per share for the financial year ended 31 December 2015 was paid on 15 January 2016. The amount was taken-up in the retained earnings for the financial year ended 31 December 2015.
- 2 A final single tier dividend of fifteen (15.0) sen per share for the financial year ended 31 December 2015 was paid on 29 June 2016.

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 2015.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 30 June 2016.

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 2016.

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13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the material litigation as disclosed in Note 26.

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	79,873	68,587	140,724	139,621
Profit before taxation	13,766	18,312	25,597	30,257
Net profit for the period	10,557	14,498	20,071	24,086

Higher revenue was due to higher average CPO and kernel prices during the period of RM2,415 and RM2,249 respectively when compared to RM2,236 and RM1,708 respectively for the corresponding period of 2015. An increase of 8% and 32% for CPO and kernel prices respectively as compared to the corresponding period 2015.

Lower profit before tax and net profit for the period was mainly due to:-

- (i) Lower contribution from share of profits from associated companies by RM2.91 million (60%).
- (ii) Lower FFB production by 12,739 mt (9%).
- (iii) Lower FFB processed by KKSB's Group by 24,890 mt (14%).
- (iv) Lower finance income of RM1.92 million is due to the disputed amount by both parties being placed in Fixed Deposit accounts in the financial institutions as per court order. Please refer to Note 26 for the related material litigation.
- (v) Higher amortisation of leasehold land by 24% in line with the revaluation of land done as at 31 December 2015.

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.6.2016 RM'000	Preceding Quarter 31.3.2016 RM'000
Revenue	79,873	60,851
Profit before taxation	13,766	11,832
Net profit for the period	10,557	9,515

For the current quarter ended 30 June 2016, the Group posted higher revenue, profit before tax and net profit when compared to the preceding quarter 31 March 2016 was due to higher average CPO and Kernel prices per metric tonne of RM2,475 and RM2,418 respectively when compared to preceding quarter of RM2,349 and RM2,080 respectively.

16. OTHER OPERATING INCOME

	3 months ended		6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
- Net sales of scout harvesting	312	418	493	726
- Net sales of FFB from "tapping right" area	122	448	282	557
- Net sales of seedlings	66	4	157	39
- Net sales of palm kernel shell and others	588	279	750	487
- Gain on disposal of PPE	-	-	92	-
- Rental income	51	60	80	95
- Others	149	145	358	270
Total	1,288	1,354	2,212	2,174

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 2016.

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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 2016.

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 2016.

20. CURRENT YEAR PROSPECTS

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

21. CAPITAL COMMITMENTS

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

	As at 30.6.2016 RM'000	As at 30.6.2015 RM'000
Property, plant and equipment	6,474	8,751
Oil palm estates development	5,322	9,810
Acquisition of land	10,000	40,000
Total capital commitments	21,796	58,561

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	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Tax expense	3,333	3,991	5,650	6,348
Over provision in prior year	(124)	(177)	(124)	(177)
Total	3,209	3,814	5,526	6,171

The effective tax rate of the Group for the cumulative quarter ended 30 June 2016 and 30 June 2015 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 30 June 2016 and 30 June 2015 was lower than the statutory tax rate due to certain income which was not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and cumulative quarter ended 30 June 2016.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 June 2016, the Group did not enter into any contract involving off balance sheet instruments.

26. STATUS OF THE MATERIAL LITIGATIONS

Status on material litigation between Far East Holdings Berhad (“FEHB”), Kampong Aur Oil Palm Company (Sdn.) Berhad (“KAOP”) and Majlis Ugama Islam dan Adat Resam Melayu Pahang (“MUIP”).

1. Federal Court - Civil Appeal No. 02(f)-19-04/2016 (W)

This is the appeal to the Federal Court filed by FEHB/KAOP against the decision of the Court of Appeal in Civil Appeal No. W-02(NCC)(A)-2671-12/2013 (the Enforcement Proceedings).

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2. Federal Court - Civil Appeal No. 02(f)-20-04/2016 (W)

This is the appeal to the Federal Court filed by FEHB/KAOP against the decision of the Court of Appeal in Civil Appeal No.W-02(NCC)(A)-2672-12/2013 (the Setting Aside Proceedings).

3. Federal Court - Civil Appeal No. 02(f)-21-04/2016 (W)

This is the appeal filed by MUIP against the decision of the Court of Appeal on the interest issue.

The hearing of the above three (3) appeals had been fixed on 10.11.2016.

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 RM1.37 million for the current quarter ended 30 June 2016.

F.E.Rangkaian Sdn Bhd (“FERSB”)

FERSB had recorded a profit before tax of RM51,026 for the current quarter ended 30 June 2016.

(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 RM3.94 million for the current quarter ended 30 June 2016.

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28. DIVIDEND

(i) Current quarter for the financial period ending 30 June 2016

Dividend for the financial year ended 31 December 2015:

On 26 April 2016, the Company had announced recommendation for a final single tier dividend of 15 sen per ordinary share for the financial year ended 31 December 2015 and the dividend was approved at Annual General Meeting on 25 May 2016 and the payment date was on 29 June 2016.

(ii) 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.

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	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Profit attributable to equity holder of the owners of the Company (RM'000)	7,578	11,729	15,930	20,832
Weighted average number of ordinary shares in issue ('000)	141,390	141,390	141,390	141,390
Basic EPS (sen)	5.36	8.30	11.27	14.73

(ii) Diluted EPS

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

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30. RETAINED EARNINGS

	As at 30.6.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
Realised	651,770	658,889
Unrealised	(9,418)	(13,258)
Total Retained Earnings	642,352	645,631

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 10 August 2016 by the Board of Directors in accordance with the resolution of the Directors.