

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 2017

	3 months ended	
	31-Mar-17	31-Mar-16
	RM'000	RM'000
	Unaudited	Unaudited
Revenue	92,189	60,851
Other operating income	887	924
Depreciation and amortisation	(2,660)	(2,884)
Operating expenses	(62,501)	(50,349)
Finance income	718	820
Finance cost	(1)	(1)
Share of profit after tax of equity accounted associates	4,994	2,471
Profit before taxation	33,626	11,832
Taxation	(6,860)	(2,317)
Net profit for the period	26,766	9,515
Attributable to:		
Owners of the Company	24,174	8,353
Non-controlling interests	2,592	1,162
	26,766	9,515
Earnings per share attributable to owners of the Company (sen):		
Basic	17.10	5.91
Diluted	17.10	5.91

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

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	3 months ended	
	31-Mar-17	31-Mar-16
	RM'000	RM'000
	Unaudited	Unaudited
Profit for the period	26,766	9,515
Other comprehensive income		
<u>Items that will not be reclassified subsequently</u>		
<u>to profit or loss:</u>		
- Transfer from revaluation reserve	1,000	1,000
- Transfer to retained earnings	(1,000)	(1,000)
Total comprehensive income	26,766	9,515
Total comprehensive income attributable to:		
Owners of the Company	24,174	8,353
Non-controlling interests	2,592	1,162
	26,766	9,515

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At 31 March 2016

	As at 31-Mar-17 RM'000 Unaudited	As at 31-Dec-16 RM'000 Audited
Non Current Assets		
Property, plant and equipment	847,674	842,990
Land held for disposal	22,413	22,413
Associates	380,634	375,640
Other financial assets	3,000	3,000
	<u>1,253,721</u>	<u>1,244,043</u>
Current Assets		
Other financial assets	3,270	3,245
Inventories	4,697	3,908
Receivables, deposits and prepayments	64,955	67,440
Tax recoverable	2,538	1,865
Deposits, bank and cash balances	312,355	289,050
	<u>387,815</u>	<u>365,508</u>
Less: Current Liabilities		
Payables	41,748	40,053
Hire purchase creditor	38	36
Current tax liabilities	4,711	3,332
	<u>46,497</u>	<u>43,421</u>
Net Current Assets	<u>341,318</u>	<u>322,087</u>
Non Current Liabilities		
Deferred tax liabilities	163,249	161,099
Hire purchase creditor	16	23
	<u>163,265</u>	<u>161,122</u>
	<u>1,431,774</u>	<u>1,405,008</u>
Capital and reserves attributable to owners of the Company		
Share capital	141,390	141,390
Share premium	47,998	47,998
Revaluation reserves	402,903	403,903
Retained earnings	760,852	735,678
Shareholders' equity	<u>1,353,143</u>	<u>1,328,969</u>
Non-controlling interests	78,631	76,039
Total equity	<u>1,431,774</u>	<u>1,405,008</u>

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

9.57

9.40

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017

[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 2016	141,390	47,998	402,834	645,631	1,237,853	77,375	1,315,228
Profit for the period	-	-	-	8,353	8,353	1,162	9,515
Other comprehensive income for the period							
- Effect upon utilisation of revalued assets	-	-	(1,000)	1,000	-	-	-
Total comprehensive income	-	-	(1,000)	9,353	8,353	1,162	9,515
At 31 March 2016	141,390	47,998	401,834	654,984	1,246,206	78,537	1,324,743
At 1 January 2017	141,390	47,998	403,903	735,678	1,328,969	76,039	1,405,008
Profit for the period	-	-	-	24,174	24,174	2,592	26,766
Other comprehensive income for the period							
- Effect upon utilisation of revalued assets	-	-	(1,000)	1,000	-	-	-
Total comprehensive income	-	-	(1,000)	25,174	24,174	2,592	26,766
At 31 March 2017	141,390	47,998	402,903	760,852	1,353,143	78,631	1,431,774

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

	3 months and year-to-date ended	
	31-Mar-17	31-Mar-16
	RM'000	RM'000
	Unaudited	Unaudited
Operating activities		
Profit for the period attributable to owners of the Company	24,174	8,353
Adjustments for:		
Non-controlling interests	2,592	1,162
Property, plant and equipment		
- depreciation	2,660	2,884
- gain on disposal	(58)	(92)
Share of profit of associates , net of tax	(4,994)	(2,471)
Interest income	(718)	(820)
Interest expense	1	1
Tax expense	6,860	2,317
Operating profit before working capital	<u>30,517</u>	<u>11,334</u>
Changes in working capital:		
- inventories	(789)	(1,375)
- receivables, deposits and prepayments	2,485	(4,821)
- payables	1,666	15,127
Cash from operations	<u>33,879</u>	<u>20,265</u>
Interest received	718	820
Interest paid	(1)	(1)
Tax paid	(4,310)	(3,982)
Tax refunded	335	300
Net cash flow from operating activities	<u>30,621</u>	<u>17,402</u>
Investing activities		
Property, plant and equipment		
- purchase	(7,344)	(8,631)
- proceed from disposal	58	92
Purchase of investment	(25)	(3,011)
Net cash flow used in investing activities	<u>(7,311)</u>	<u>(11,550)</u>
Financing activity		
Dividend paid	-	(14,139)
Hire purchase paid	(5)	(3)
Net cash flow used in financing activities	<u>(5)</u>	<u>(14,142)</u>
Net increase in cash and cash equivalents	23,305	(8,290)
Cash and cash equivalents		
-at start of the period	<u>289,050</u>	<u>276,004</u>
-at end of the period	<u>312,355</u>	<u>267,714</u>

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

2. SIGNIFICANT ACCOUNTING POLICIES

During the financial year, the Group has adopted the following new and revised Financial Reporting Standards and Interpretations (collectively referred to as 'FRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2017:

2.1 FRSs that do not have significant impacts on these financial statements

The following new and revised FRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2017, have been adopted, but the adoptions do not have a significant impact on the financial statements:

Effective for financial period beginning on or after 1 January 2017

Amendments to FRS 107 : Disclosure Initiative

Amendments to FRS 112 : Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRSs 2014 – 2016 Cycle

Amendments to FRS 12 : Disclosure of Interests in Other Entities

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2.2 FRSs that have been issued but are not yet effective

The Group has not adopted the following FRSs that have been issued by the MASB but are not yet effective:

Effective for financial period beginning on or after 1 January 2018

Amendments to FRS 2	: Classification and Measurement of Share- based Payment Transactions
Amendments to FRS 4	: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
FRS 9	: Financial Instruments (IFRS 9 as issued by IASB in July 2014)
Amendments to FRS 140	Transfers of Investment Property
IC Interpretation 22	: Foreign Currency Transactions and Advance Consideration
Annual Improvements to FRS Standards 2014 – 2016 Cycle	
Amendments to FRS 1	: First-time Adoption of Financial Reporting Standards
Amendments to FRS 128	: Investments in Associates and Joint Ventures

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.

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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.

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 31 March 2017.

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 31 March 2017.

6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2016 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 31 March 2017.

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8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended	
	31.3.2017	31.3.2016
	RM'000	RM'000
Interim dividend	-	14,139 ¹

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.

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 2016.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and cumulative quarter ended 31 March 2017.

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 31 March 2017.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

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14. REVIEW OF PERFORMANCE

	3 months ended	
	31.3.2017 RM'000	31.3.2016 RM'000
Revenue	92,189	60,851
Profit before taxation	33,626	11,832
Net profit for the period	26,766	9,515

Higher revenue, profit before taxation and net profit for the cumulative current quarter when compared to the corresponding cumulative quarter 2016 was mainly due to:-

- (i) Higher average CPO and kernel prices of RM2,999 per metric tonne and RM3,165 per metric tonnes respectively when compared to RM2,349 per metric tonne and RM2,086 per metric tonne respectively for the corresponding cumulative quarter 2016. Both average CPO and kernel prices increased by 28% and 52% respectively.
- (ii) Higher FFB production by 10,515 metric tonnes (17%) to 72,331 metric tonne when compared to FFB produced in corresponding cumulative quarter 2016 of 61,816 metric tonne.
- (iii) Higher contribution from share of profits from associated companies by RM2.52 million (102%).

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.3.2017 RM'000	Preceding Quarter 31.12.2016 RM'000
Revenue	92,189	117,092
Profit before taxation	33,626	45,163
Net profit for the period	26,766	36,912

For the current quarter ended 31 March 2017, the Group posted lower revenue, profit before tax and net profit when compared to the preceding quarter 31 December 2016 mainly due to:-

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- (i) Lower FFB production of 20,311 metric tonnes (22%) due to exceptionally high rainfall received during the current quarter ended 31 March 2017 resulted in flood which had affected crop recovery.
- (ii) Lower contribution from the share of profits from associated companies by RM3.5 million (41%).

16. OTHER OPERATING INCOME

	3 months ended	
	31.3.2017 RM'000	31.3.2016 RM'000
- Net sales of scout harvesting	122	181
- Net sales of FFB from "tapping right" area	244	160
- Net sales of seedlings	1	91
- Net sales of palm kernel shell and others	249	162
- Gain on disposal of property, plant and equipment	58	92
- Rental income	56	29
- Others	157	209
Total	887	924

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 31 March 2017.

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 31 March 2017.

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 31 March 2017.

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

	As at 31.3.2017 RM'000	As at 31.3.2016 RM'000
Property, plant and equipment	5,478	6,875
Oil palm estates development	4,688	3,515
Acquisition of land	10,000	10,000
Total	20,166	20,390

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended	
	31.3.2017 RM'000	31.3.2016 RM'000
Tax expense	6,860	2,317

The effective tax rate of the Group for the cumulative quarter ended 31 March 2017 and 31 March 2016 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 31 March 2017 and 31 March 2016 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 31 March 2017.

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25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 31 March 2017, 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 Plantations Company (Sdn.) Berhad (“KAOP”) and Majlis Ugama Islam dan Adat Resam Melayu Pahang (“MUIP”).

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

This is the appeal filed by FEHB/KAOP against the decision of the Court of Appeal (i.e. the Enforcement Proceedings).

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

This is the appeal filed by FEHB/KAOP against the decision of the Court of Appeal (i.e. in the Setting Aside Proceedings).

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

MUIP had also filed an appeal to the Federal Court on 6.4.2016 to appeal against the decision of the Court of Appeal on the interest issue.

The decision date for the above appeals has not been fixed yet.

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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 RM1.38 million for the current quarter ended 31 March 2017.

F.E.Rangkaian Sdn Bhd (“FERSB”)

FERSB had recorded a loss before tax of RM58,575 for the current quarter ended 31 March 2017.

- (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 RM420,660 for the current quarter ended 31 March 2017.

28. DIVIDEND

No interim dividend was declared in the period ended 31 March 2017 (31 March 2016: Nil).

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	
	31.3.2017	31.3.2016
Profit attributable to equity holder of the owners of the Company (RM'000)	24,174	8,353
Weighted average number of ordinary shares in issue ('000)	141,390	141,390
Basic EPS (sen)	17.10	5.91

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(ii) Diluted EPS

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

30. RETAINED EARNINGS

	As at 31.3.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
Realised	766,434	742,760
Unrealised	(5,582)	(7,082)
Total Retained Earnings	760,852	735,678

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 23 May 2017 by the Board of Directors in accordance with the resolution of the Directors.