

FAR EAST HOLDINGS BERHAD

[Company No. 197301001753 (14809 - W)]

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three - Months Ended 31 March 2020

(The figures have not been audited)

	-----Quarter ended-----	
	31-Mar-20	31-Mar-19
	RM'000	RM'000
Revenue	82,123	91,202
Other operating income	1,342	741
Fair value gain/(loss) on biological assets	966	(700)
Depreciation and amortisation	(6,148)	(5,562)
Operating expenses	(71,149)	(80,187)
Finance income	167	147
Finance cost	(205)	(183)
Share of (loss)/profit after tax of equity accounted associates	(10,583)	5,534
(Loss)/profit before taxation	(3,487)	10,992
Tax expenses	(2,294)	(2,808)
Net (loss)/profit for the period	(5,781)	8,184
(Loss)/profit for the year attributable to:		
Owners of the Company	(5,670)	7,876
Non-controlling interests	(111)	308
	(5,781)	8,184
Earnings per share attributable to owners of the Company (sen):		
Basic	(0.95)	1.33
Diluted	(0.95)	1.33

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying notes attached to the interim financial statements.

FAR EAST HOLDINGS BERHAD

[Company No. 197301001753 (14809 - W)]

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**As At 31 March 2020**

(The figures have not been audited)

	As at 31-Mar-20 RM'000	As at 31-Dec-19 RM'000
Non-current assets		
Property, plant and equipment	291,657	272,688
Investment property	60,000	60,000
Investments in associates	448,517	459,481
Other financial assets	731	731
Right of use assets	295,228	316,923
Biological assets	755	646
	<u>1,096,888</u>	<u>1,110,469</u>
Current assets		
Inventories	5,083	5,471
Biological assets	5,567	4,601
Receivables	109,313	70,654
Tax recoverable	8,204	7,343
Deposits, bank and cash balances	28,319	45,405
	<u>156,486</u>	<u>133,474</u>
Total assets	<u>1,253,374</u>	<u>1,243,943</u>
Capital and reserves attributable to owners of the Company		
Share capital	197,946	197,946
Retained earnings	867,667	873,337
Shareholders' equity	<u>1,065,613</u>	<u>1,071,283</u>
Non-controlling interests	35,254	35,365
Total equity	<u>1,100,867</u>	<u>1,106,648</u>
Non current liabilities		
Deferred tax liabilities	87,188	87,186
Lease liabilities	16,883	16,440
	<u>104,071</u>	<u>103,626</u>
Current liabilities		
Payables	35,754	32,877
Tax payable	539	539
Borrowing	12,000	-
Lease liabilities	143	253
	<u>48,436</u>	<u>33,669</u>
Total liabilities	<u>152,507</u>	<u>137,295</u>
Total equity and liabilities	<u>1,253,374</u>	<u>1,243,943</u>

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

1.85

1.86

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020

(The figures have not been audited)

	--- Attributable to Owners of the Company ---			Non-controlling interests	Total equity
	Share capital RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2020	197,946	873,337	1,071,283	35,365	1,106,648
Total comprehensive income	-	(5,670)	(5,670)	(111)	(5,781)
As at 31 March 2020	197,946	867,667	1,065,613	35,254	1,100,867
At 1 January 2019	197,946	889,445	1,087,391	33,734	1,121,125
Total comprehensive income	-	7,876	7,876	308	8,184
As at 31 March 2019	197,946	897,321	1,095,267	34,042	1,129,309

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020

(The figures have not been audited)

	-----Quarter ended-----	
	31-Mar-20	31-Mar-19
	RM'000	RM'000
Operating activities		
(Loss)/profit for the year attributable to owners of the Company	(5,670)	7,876
Adjustments for:		
Non-controlling interests	(111)	308
Property, plant and equipment		
- depreciation	6,148	5,562
- gain on disposal	(55)	-
Fair value (gain)/loss on biological assets changes	(966)	700
Share of loss/(profit) of associates , net of tax	10,583	(5,534)
Finance income	(167)	(147)
Finance cost	205	183
Tax expense	2,294	2,808
Operating profit before working capital	<u>12,261</u>	<u>11,756</u>
Changes in working capital:		
- inventories	388	920
- receivables, deposits and prepayments	(38,659)	(12,496)
- payables	3,210	7,764
Cash (sued in)/from operations	<u>(22,800)</u>	<u>7,944</u>
Finance income received	167	147
Finance cost	(205)	(183)
Tax paid	<u>(3,153)</u>	<u>(4,326)</u>
Net cash flow (used in)/from operating activities	<u>(25,991)</u>	<u>3,582</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For the Three - Months Ended 31 March 2020

(The figures have not been audited)

	-----Quarter ended-----	
	31-Mar-20	31-Mar-19
	RM'000	RM'000
Investing activities		
Property, plant and equipment		
- purchase	(3,422)	(2,980)
- proceed from disposal	55	-
Dividend received	381	5,047
Purchase of investment	-	(30)
Addition to biological assets	(109)	-
Net cash flow (used in)/from investing activities	<u>(3,095)</u>	<u>2,037</u>
Financing activities		
Drawdown short term borrowing	12,000	-
Dividend paid	-	(5,938)
Net cash from/(used in) financing activities	<u>12,000</u>	<u>(5,938)</u>
Net decrease in cash and cash equivalents	(17,086)	(319)
Cash and cash equivalents		
-at start of the period	45,405	34,622
-at end of the period	<u>28,319</u>	<u>34,303</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying notes attached to the interim financial statements.

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1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2019. 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 2019.

The accounting policies applied in this interim financial report is the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

The interim financial statements of the Group for the financial period ended 31 March 2020 was prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework.

At the date of authorization of these interim financial of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:-

Effective for financial period beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Framework:

Amendments to MFRS 3	Definition of a business
Amendments to MFRS 7	Interest rate benchmark reform
Amendments to MFRS 9	Interest rate benchmark reform
Amendments to MFRS 101	Definition of material
Amendments to MFRS 108	Definition of material
Amendments to MFRS 139	Interest rate benchmark reform

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Effective for financial period beginning on or after 1 January 2021

MFRS 17

Interim financial reporting

2. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's plantations business is affected by seasonal crop production, weather condition, fluctuating commodity prices and impact on Covid-19 pandemic.

3. 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 ended 31 March 2020.

4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have any material effect in the current quarter ended 31 March 2020.

5. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2019 was not qualified.

6. 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 ended 31 March 2020.

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7. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
Interim dividend	-	5,938 ^(a)

Note:

- (a) An interim single tier dividend of one (1.00) sen per share for the financial year ended 31 December 2018 was paid on 15 January 2019. The amount was taken-up in the retained earnings for the financial year ended 31 December 2018.

8. SEGMENTAL REPORTING

No segmental reporting has been prepared as the group activities are predominantly in plantation activity, which is mainly carried out in Malaysia.

9. PROPERTY, PLANT AND EQUIPMENT

The Group upon the adoption of MFRS has elected to use the cost model from previous revaluation policy by using the last revaluation as deemed cost.

10. INVESTMENT PROPERTY

The Group owns a piece of land at Bandar Indera Mahkota, Kuantan, Pahang that was classified under investment property based on fair value model under MFRS 140.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material event after the balance sheet date.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current quarter ended 31 March 2020.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 17 June 2020.

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14. REVIEW OF PERFORMANCE

	3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000
Revenue	82,123	91,202
(Loss)/profit before tax	(3,487)	10,992
Net (loss)/profit for the period	(5,781)	8,184

Lower revenue for the current quarter when compared to the corresponding quarter 2019 was mainly due to:-

- Lower fresh fruit bunches (“FFB”) production by 16,457 mt (24%); and
- Lower FFB processed by Kilang Kosfarm Sdn. Bhd.’s Group by 38,250 metric tonne (33%) due to lower FFB received from suppliers.

Following is the breakdown of loss before tax and loss after tax for the Group:-

	31.3.2020 RM'000	31.3.2019 RM'000
Profit from plantation	7,698	2,501
(Loss)/profit from milling	(602)	2,957
Share of (loss)/profit from associated companies	(10,583)	5,534
(Loss)/profit before tax	(3,487)	10,992
Tax expenses	(2,294)	(2,808)
(Loss)/profit after tax	(5,781)	8,184

For the current quarter ended 31 March 2020, the Group recorded a loss before tax and loss after tax of RM3.49 million and RM5.78 million respectively which was due to share of losses from the associated companies of RM10.58 million. The share of losses from associated companies was mainly due to recognition of fair value loss in quoted shares in view lower shares prices traded.

15. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	Current Quarter 31.3.2020 RM'000	Preceding Quarter 31.12.2019 RM'000
Revenue	82,123	102,197
(Loss)/profit before tax	(3,487)	58,137
Net (loss)/profit for the period	(5,781)	48,970

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For the current quarter ended 31 March 2020, the Group posted lower revenue when compared to the preceding quarter was mainly due to:-

- (a) Lower fresh fruit bunches (“FFB”) production by 20,178 mt (27%); and
- (b) Lower FFB processed by Kilang Kosfarm Sdn. Bhd.’s Group by 59,350 metric tonne (43%) due to lower FFB received from suppliers.

The Group posted a loss before tax and net loss after tax for the current quarter when compared to the preceding quarter was mainly due to:-

- (a) Recognition share of losses from associated companies of RM10.58 million when compared to RM9.31 million share of profit from associated companies in preceding quarter; and
- (b) There was recognition of fair value gain from investment property for Bandar Indera Mahkota Land of RM37.59 million in the preceding quarter ended 31 December 2019.

16. 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 ended 31 March 2020.

17. FOREIGN EXCHANGE GAIN OR LOSS

The Group does not have any foreign exchange gain or loss for the current quarter ended 31 March 2020.

18. GAIN OR LOSS ON DERIVATIVES

The Group does not have any gain or loss on derivatives for the current quarter ended 31 March 2020.

19. CURRENT YEAR PROSPECTS

The Group’s performance for the upcoming financial year would continue to be a challenging one due to the COVID-19 pandemic, rising operation costs, higher wages and labour shortages. The Group is optimistic that the demand for CPO would eventually recover once the COVID-19 pandemic is contained globally.

Despite stable FFB production expected in year 2020, the Group’s financial result for year 2020 is anticipated to be lower than last year in view of the volatility of CPO

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and PK prices and lower share of profits from our associates as a result of the COVID-19 impact globally.

20. CAPITAL COMMITMENTS

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

	As at 31.3.2020 RM'000	As at 31.3.2019 RM'000
Property, plant and equipment	11,741	12,452
Oil palm estates development	11,631	10,927
Acquisition of land	9,283	25,400
Total	32,655	48,779

21. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

22. TAXATION

	3 months ended	
	31.3.2020 RM'000	31.3.2019 RM'000
Tax expense	2,294	2,808

The effective tax rate of the Group for the cumulative quarter ended 31 March 2020 and 31 March 2019 is calculated at Malaysian statutory tax rate of 24% based on the assessable profit for the year.

23. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter ended 31 March 2020.

24. BORROWING

The borrowing comprised the Revolving Credit Facility-i Commodity Murabahah ("RCF") which is secured, short term and denominated in Ringgit Malaysia.

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25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter ended 31 March 2020, the Group did not enter into any contract involving off balance sheet instruments.

26. STATUS OF THE MATERIAL LITIGATIONS

There was no material litigation of the Group during the current quarter 31 March 2020.

27. STATUS ON THE JOINT VENTURE PROJECT

The status on the joint venture project for the development of oil palm plantation between Far East Holdings Berhad and Rangkaian Delima Sdn Bhd

(i) Far East Delima Plantations Sdn. Bhd. (“FEDP”)

FEDP had recorded an unaudited loss before tax of RM385,587 for the current quarter ended 31 March 2020.

(ii) F.E.Rangkaian Sdn. Bhd. (“FERSB”)

FERSB had recorded an unaudited profit before tax of RM187,850 for the current quarter ended 31 March 2020.

28. INVESTMENT IN FUTURE PRELUDE SDN. BHD. (“FPSB”)

FPSB recorded an unaudited profit before tax of RM3.21 million for the current quarter ended 31 March 2020.

29. DIVIDEND

No interim dividend was declared in the period ended 31 March 2020 (31 March 2019: Nil).

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30. 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	
	31.3.2020	31.3.2019
(Loss)/profit attributable to equity holder of the owners of the Company (RM'000)	(5,670)	7,876
Weighted average number of ordinary shares in issue ('000)	593,838	593,838
Basic EPS (sen)	(0.95)	1.33

(ii) Diluted EPS

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

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 18 June 2020 by the Board of Directors in accordance with the resolution of the Directors.