

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 2010. 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 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Issues Committee (IC) Interpretations which are applicable for the Group's financial period beginning 1 January 2011.

2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations

On 1 January 2011, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations and Amendments to IC Interpretations:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Shared-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139 and Amendments to IC Interpretation 13	Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers

Adoption of the above FRSs, Amendments to FRSs IC Interpretations and Amendments to IC Interpretations did not have any effect on the financial performance, position or presentation of financials of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

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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 during the financial year ended 31 December 2011.

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 financial year ended 31 December 2011.

6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2010 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 cumulative quarter ended 31 December 2011 except for the issuance of the following new ordinary share of RM1.00 each pursuant to the Company's Employees Share Option Scheme.

Option price per share (RM)	No. of shares issued (‘000)	Cash proceeds (RM‘000)
5.234	480	2,512
6.520	2,680	17,474
6.550	110	720
Total	3,270	20,706

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8. DIVIDEND PAID

Dividend paid is as follow:

	3 months and year-to-date ended		12 months and year-to-date ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Interim dividend	-	-	13,651 ²	-
Final dividend	-	-	27,608 ³	20,461 ¹
Interim dividend	20,967 ⁴	-	20,967 ⁴	-
Total dividend paid	20,967	-	62,226	20,461

Note:

- 1 A final dividend of fifteen (15) sen per share (single tier) for the financial year ended 31 December 2009 was paid on 30 June 2010.
- 2 An interim dividend of ten (10) sen per share (single tier) for the financial year ended 31 December 2010 was paid on 21 January 2011.
- 3 A final dividend of twenty (20) sen per share (single tier) for the financial year ended 31 December 2010 was paid on 14 July 2011.
- 4 An interim dividend of fifteen (15) sen per share (single tier) for the financial year ended 31 December 2011 to the shareholders whose names appear in the Record of Depositors of the Company on 21 December 2011 and was paid on 9 January 2012.

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 2010.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and financial year ended 31 December 2011.

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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 financial year ended 31 December 2011.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent liabilities or contingent assets for current quarter and financial year ended 31 December 2011.

14. REVIEW OF PERFORMANCE

	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	118,587	145,152	479,254	436,016
Profit before taxation	43,534	24,205	156,222	113,510
Net profit for the period	38,088	19,609	129,785	92,637

Higher revenue, profit before taxation and net profit for the year 2011 when compared to the year 2010 were mainly due to:

- (i) Higher FFB production by 16,207 metric tonnes (6%).
- (ii) Higher average crude palm oil and kernel price of RM3,118 per mt and RM2,300 per mt respectively when compared to RM2,538 per mt and RM1,775 per mt respectively for the year 2010.
- (iii) Higher contribution from the share of profits from associated companies by RM26.71 million.

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2011 RM'000	Preceding Quarter 30.9.2011 RM'000
Revenue	118,587	118,933
Profit before taxation	43,534	47,874
Net profit for the period	38,088	40,045

There was no material changes in revenue, profit before tax and net profit in the current quarter ended 31 December 2011 when compared to the preceding quarter 30 September 2011.

16. OTHER OPERATING INCOME

	3 months ended		12 months ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
- Net sales of scout harvesting	449	346	1,973	1,788
- Net sales of FFB from "tapping right"	71	60	278	189
- Net sales of seedlings	388	650	133	630
- Net sales of palm kernel shell	314	213	878	537
- Gain on disposal of land	-	-	-	2,778
- Rental income	9	14	35	47
- Others	128	(2)	73	567
Total	1,359	1,281	3,370	6,536

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 financial year ended 31 December 2011.

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18. IMPAIRMENT OF ASSETS

Impairment of investment in associate i.e Future Prelude Sdn Bhd amounting to RM7.94 million has been provided for the current quarter and financial year ended 31 December 2011.

19. FOREIGN EXCHANGE GAIN OR LOSS

The Group does not have any foreign exchange gain or loss for the current quarter and financial year ended 31 December 2011.

20. GAIN OR LOSS ON DERIVATIVES

The Group does not have any gain or loss on derivatives for the current quarter and financial year ended 31 December 2011.

21. CURRENT YEAR PROSPECTS

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

22. CAPITAL COMMITMENTS

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

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Property, plant and equipment	8,524	9,597
Oil palm estates development	13,700	17,684
Acquisition of land	40,000	70,000
Total capital commitments	62,224	97,281

23. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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24. TAXATION

	3 months ended		12 months ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Current year tax	3,497	2,986	24,869	19,263
Under/(Over) provision in prior year	16	(49)	(365)	(49)
Deferred tax	1,933	1,659	1,933	1,659
Total	5,446	4,596	26,437	20,873

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

The effective tax rate of the Group for the current and cumulative quarter ended 31 December 2011 and 31 December 2010 was lower than the statutory tax rate due to certain income were not taxable.

25. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties for the year ended 31 December 2011 under review.

26. QUOTED SECURITIES

There was no sale of quoted securities other than through the fund manager appointed.

27. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the year ended 31 December 2011 under review.

28. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowing is as follow:

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Current		
Hire purchase liabilities (secured)	-	33

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29. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year ended 31 December 2011, the Group did not enter into any contract involving off balance sheet instruments.

30. STATUS OF THE MATERIAL LITIGATIONS

In the matter of an Arbitration between
Majlis Ugama Islam Dan Adat Resam Melayu Pahang – Claimant
And
Far East Holdings Berhad & Anor – Respondent

Final submission for the claimant was made on 8 February 2012 and for the respondent is fixed on 27 February 2012.

31. 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”)

The total planted area was 2,860 hectares and as at 31 December 2011 a total of 2,467 hectares of the areas had been declared matured. FEDP had recorded a profit before tax of RM1.45 million for the financial year ended 31 December 2011.

(ii) **The status on the joint venture project for the biodiesel and glycerine refinery - Future Prelude Sdn Bhd (“FPSB”)**

FPSB recorded a loss of RM24.09 million for the financial year ended 31 December 2011.

In view of the losses of FPSB, the Board of Directors of FEHB has agreed to recognise the impairment of 30% equity stake of FEHB’s investment in FPSB amounting to RM7.94 million.

The first tranche repayment of Redeemable Cumulative Preference Shares (“RCPS”) for the principle amount of RM12 million and the cumulative interest of RM8.32 million (*which falls due on 15 September 2011*) was not

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paid by FPSB to its shareholders. This is due to the losses incurred for the past two (2) years coupled with the plants are not fully operational.

FPSB in the process of finalizing the proposal with the existing shareholders to settle the above issue.

FPSB on 29 December 2011 had filed a Writ of Summons and Statement to Alami Vegetable Oil Products Sdn Bhd (Defendant) to claim for RM4,701,043.35 and USD1,555,797.90 for the supply of Refined Bleached and Deodorized Palm Oil in Bulk.

The Case Management had commenced on 19 January 2012. The Defendant requested a new mention date to enable the defendant to file in Statement of Defence and the next Case Management is fixed on 24 February 2012.

An amount of RM4,701,043.35 and USD1,555,797.90 has been recognised as an impairment by FPSB in the financial year ended 31 December 2011.

32. DIVIDEND

(i) Current quarter for the financial period ending 31 December 2011

The final dividend for the financial year ended 31 December 2011 would be announced at a later date.

On 25 November 2011, the Company had announced for an interim dividend of fifteen (15) sen (single tier), in respect of the financial year ending 31 December 2011 and had been paid on 9 January 2012 to the shareholders whose names appear in the Record of Depositors of the Company on 21 December 2011.

Dividend for the financial year ended 31 December 2010

On 15 April 2011, the Company had announced recommendation for a final dividend of 20 sen (single tier) for the financial year ended 31 December 2010 and the dividend was approved at Annual General Meeting on 20 June 2011 and payment date was on 14 July 2011.

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(ii) Current quarter for the financial period ending 31 December 2010

The recommendation for the final dividend for the year ended 31 December 2010 was announced on 28 April 2011.

On 26 November 2010, the Company had announced for an interim dividend of ten (10) sen (single tier), in respect of the financial year ended 31 December 2010 and had been paid on 21 January 2011 to the shareholders whose names appear in the Record of Depositors of the Company on 7 January 2011.

Dividend for the financial year ended 31 December 2009

On 29 April 2010, the Company had announced recommendation for a final dividend of fifteen (15) sen (single tier) for the financial year ended 31 December 2009 and the dividend was approved at Annual General Meeting on 11 June 2010 and payment date was on 30 June 2010.

33. 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 parent by the weighted average number of ordinary shares in issue during the period:

	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit attributable to equity holder of the parent (RM'000)	34,329	13,972	119,731	82,438
Weighted average number of ordinary shares in issue ('000)	137,651	136,346	137,651	136,346
Basic EPS (sen)	24.94	10.25	86.98	60.46

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(b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the period has been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit attributable to equity holder of the parent (RM'000)	34,329	13,972	119,731	82,438
Weighted average number of ordinary shares in issue ('000)	137,651	136,346	137,651	136,346
Effect of dilution ('000)	73	25	102	22
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	137,724	136,371	137,753	136,368
Diluted EPS (sen)	24.93	10.25	86.92	60.45

34. RETAINED EARNINGS

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Realised	494,726	438,817
Unrealised	(24,024)	(25,620)
Total Retained Earnings	470,702	413,197

35. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 22 February 2012 by the Board of Directors in accordance with a resolution of the Directors.