

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 2011. 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 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011, except for the adoption of the following:

2.1 Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement

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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Effective for financial periods beginning on or after 1 January 2012

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets

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 financials of the Group.

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 venture (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. 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 2013. 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

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Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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 2012.

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 2012.

6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2011 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 and cumulative quarter ended 31 March 2012 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)
6.520	564	3,677
6.550	5	33
6.500	410	2,665
Total	979	6,375

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8. DIVIDEND PAID

Dividend paid is as follow:

	3 months and year-to-date ended	
	31.3.2012 RM'000	31.3.2011 RM'000
Interim dividend	20,967 ¹	13,651 ²

Note:

- 1 An interim dividend of fifteen (15) sen per share (single tier) for the financial year ended 31 December 2011 was paid on 9 January 2012. The amount was taken-up in the retained earnings for the financial year ended 31 December 2011.
- 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.

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 2011.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this cumulative quarter ended 31 March 2012.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the cumulative quarter ended 31 March 2012.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent liabilities or contingent assets for the cumulative quarter ended 31 March 2012.

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14. REVIEW OF PERFORMANCE

	3 months ended and year-to-date ended	
	31.3.2012 RM'000	31.3.2011 RM'000
Revenue	96,282	110,861
Profit before taxation	22,855	26,906
Net profit for the period	18,010	21,576

Lower revenue, profit before taxation and net profit for the cumulative quarter 2012 when compared to the corresponding cumulative quarter 2011 were mainly due to:

- (i) Lower average kernel price during the period of RM1,948 per mt when compared to RM3,060 per mt for the corresponding period of 2011.
- (ii) Lower crop processed by the mill as there were some outside estates had diverted the crop to other millers.
- (iii) Higher estate expenditure by RM3.43 million (32%) due to early completion of estate work program when compared to the previous year.
- (iv) Lower contribution from the share of profits from associated companies by RM0.89 million (16%).

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.3.2012 RM'000	Preceding Quarter 31.12.2011 RM'000
Revenue	96,282	118,587
Profit before taxation	22,855	43,534
Net profit for the period	18,010	38,088

For the current quarter ended 31 March 2012, lower revenue, profit before taxation and net profit for the period were due to:

- (i) Lower FFB production by 16,550 mt (23%).

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- (ii) Lower contribution from the share of profits from associated companies by RM20.59 million (81%).

16. OTHER OPERATING INCOME

	3 months ended and year-to-date ended	
	31.3.2012 RM'000	31.3.2011 RM'000
- Net sales of scout harvesting	263	311
- Net sales of FFB from "tapping right"	267	41
- Net sales of seedlings	56	414
- Net sales of palm kernel shell	193	201
- Amount over taken-up for the gain on disposal of land	-	(180)
- Gain on disposal of property, plant and equipment	-	7
- Rental income	23	13
- Others	8	22
Total	810	829

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 cumulative quarter ended 31 March 2012.

18. FOREIGN EXCHANGE GAIN OR LOSS

The Group does not have any foreign exchange gain or loss for the cumulative quarter ended 31 March 2012.

19. GAIN OR LOSS ON DERIVATIVES

The Group does not have any gain or loss on derivatives for the cumulative quarter ended 31 March 2012.

20. CURRENT YEAR PROSPECTS

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

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21. CAPITAL COMMITMENTS

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

	As at 31.3.2012 RM'000	As at 31.3.2011 RM'000
Property, plant and equipment	7,593	8,544
Oil palm estates development	13,951	17,248
Acquisition of land	40,000	70,000
Total capital commitments	61,544	95,792

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended year-to-date ended	
	31.3.2012 RM'000	31.3.2011 RM'000
Current year tax	4,828	5,330
Under provision in prior year	17	-
Total	4,845	5,330

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 cumulative quarter ended 31 March 2012 was lower than the statutory tax rate due to certain incomes were not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the cumulative quarter ended 31 March 2012.

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25. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowing is as follow:

	As at 31.3.2012 RM'000	As at 31.3.2011 RM'000
Current		
Hire purchase liabilities (secured)	-	11

26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 31 March 2012, the Group did not enter into any contract involving off balance sheet instruments.

27. 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

The final written submission by the respondent had been submitted to Arbitrator's office on 16 March 2012. Claimant's submission in reply to respondent's written submission was given to Arbitrator on 9 April 2012.

28. 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 March 2012 all areas had been declared as matured. FEDP had recorded a loss before tax of RM733,747 for the current quarter ended 31 March 2012.

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

FPSB recorded a loss of RM3.65 million for the current quarter ended 31 March 2012.

The First Tranche Repayment of Redeemable Cumulative Preference Shares (“RCPS”)

FPSB has appointed a consultant to propose for an alternative to settle the first tranche of RCPS.

Status of Material Litigation

The High Court had given the judgment on 16 April 2012 and ordered Alami Vegetable Oil Products Sdn Bhd (Alami) to make the following settlement to Future Prelude Sdn Bhd (“FPSB”):

- (i) Alami to make payment of USD1,555,797.90 on or before 30 April 2012 to FPSB;
- (ii) Alami to make payment of RM2,350,522 on or before 30 May 2012 to FPSB;
- (iii) Alami to make payment of RM2,350,222 on or before 28 June 2012 and
- (iv) Alami to pay the cost of RM10,000 on or before 28 June 2012 to FPSB.

In the event of default payments, an interest of 4% per annum would be imposed on the outstanding balance from the date of default until full settlement.

As at to date, the first payment which was due on 30 April 2012 has not been made by Alami.

On 21 May 2012, FPSB’s solicitor had served a Statutory Notice of Demand (pursuant to Section 218(2)(a) of the Companies Act, 1965) to Alami.

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29. DIVIDEND

No interim dividend was declared in the financial period ended 31 March 2012 (31 March 2011: Nil).

30. 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 and year-to-date ended	
	31.3.2012	31.3.2011
Profit attributable to equity holder of the parent (RM'000)	16,528	19,791
Weighted average number of ordinary shares in issue ('000)	139,806	136,509
Basic EPS (sen)	11.82	14.50

(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 and year-to-date ended	
	31.3.2012	31.3.2011
Profit attributable to equity holder of the parent (RM'000)	16,528	19,791
Weighted average number of ordinary shares in issue ('000)	139,806	136,509
Effect of dilution ('000)	65	139
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	139,871	136,648
Diluted EPS (sen)	11.82	14.48

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31. RETAINED EARNINGS

	As at 31.3.2012 Unaudited RM'000	As at 31.12.2011 Audited RM'000
Realised	510,762	494,666
Unrealised	(23,577)	(24,009)
Total Retained Earnings	487,185	470,657

32. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 24 May 2012 by the Board of Directors in accordance with a resolution of the Directors.