

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.

On 30 June 2012, MASB has decided to allow agriculture and real estate companies (Transitioning Entities) to defer the adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual periods beginning on or after 1 January 2014. This decision comes after an extensive deliberation by Board and taking into account both local and international developments affecting these standards.

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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 2014. 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 profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

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 September 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 30 September 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.

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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 30 September 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	1,076	7,015
6.550	5	33
6.500	530	3,445
Total	1,611	10,493

8. DIVIDEND PAID

Dividend paid is as follow:

	3 months ended		9 months ended	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Interim dividend	-	-	20,967 ¹	13,651 ³
Final dividend	35,348 ²	27,608 ⁴	35,348 ²	27,608 ⁴
	35,348	27,608	56,315	41,259

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 A final dividend of fifteen (15) sen per share (single tier) and a special dividend of ten (10) sen per share (single tier) for the financial year ended 31 December 2011 were paid on 18 July 2012.
- 3 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.
- 4 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.

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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 30 September 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 30 September 2012.

13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities relate to the final award dated 19 September 2012 from the Arbitrator as per announcement dated 27 September 2012.

14. REVIEW OF PERFORMANCE

	3 months ended		9 months ended	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Revenue	129,082	118,933	331,688	360,667
Profit before taxation	57,689	47,874	105,813	112,688
Net profit for the period	47,066	40,045	85,599	91,697

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) Higher estate expenditure by RM17.05 million (40%) due to the estate programmes had completed as per schedule especially for the manuring programme when compared to the corresponding period of 2011.

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- (ii) Lower crop received and processed by the mill during the period by 24,070 metric tonnes (10%) which was 214,530 metric tonnes when compared to the corresponding period of 2011 which was 238,600 metric tonnes as there were some outside estates had diverted the crop to other millers.
- (iii) Lower average CPO and kernel price during the period of RM3,128 per metric tonne and RM1,784 per metric tonne respectively when compared to RM3,139 per metric tonne and RM2,494 per metric tonne respectively for the corresponding period of 2011.
- (iv) Lower contribution from the share of profits from associated companies by RM2.29 million (8%).

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.9.2012 RM'000	Preceding Quarter 30.6.2012 RM'000
Revenue	129,082	106,324
Profit before taxation	57,689	25,269
Net profit for the period	47,066	20,523

For the current quarter ended 30 September 2012, the Group posted higher revenue, profit before taxation and net profit for the period were due to:

- (i) Higher FFB production by 32,164 metric tonnes.
- (ii) Higher contribution from the share of profits from associated companies by RM10.13 million.

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16. OTHER OPERATING INCOME

	3 months ended		9 months ended	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
- Net sales of scout harvesting	453	490	1,128	1,514
- Net sales of FFB from "tapping right"	787	140	1,382	260
- Net sales of seedlings	4	105	46	(255)
- Net sales of palm kernel shell and others	583	169	980	564
- Amount over taken-up for the gain on disposal of land	-	-	-	(180)
- Gain on disposal of property, plant and equipment	21	-	32	8
- Rental income	23	7	72	26
- Others	11	43	29	73
Total	1,882	954	3,669	2,010

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 and cumulative quarter ended 30 September 2012.

18. FOREIGN EXCHANGE GAIN OR LOSS

The Group does not have any foreign exchange gain or loss for the current and cumulative quarter ended 30 September 2012.

19. GAIN OR LOSS ON DERIVATIVES

The Group does not have any gain or loss on derivatives for the current and cumulative quarter ended 30 September 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 30.9.2012 RM'000	As at 30.9.2011 RM'000
Property, plant and equipment	4,830	7,217
Oil palm estates development	11,958	15,296
Acquisition of land	40,000	70,000
Total capital commitments	56,788	92,513

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended		9 months ended	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Current year tax	10,635	8,210	20,226	21,372
Under provision in prior year	(12)	(381)	(12)	(381)
Total	10,623	7,829	20,214	20,991

The effective tax rate of the Group for the cumulative quarter ended 30 September 2012 and 30 September 2011 is calculated at 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 30 September 2012 and 30 September 2011 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 30 September 2012.

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25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 September 2012, the Group did not enter into any contract involving off balance sheet instruments.

26. STATUS OF THE MATERIAL LITIGATIONS

**In the matter of an Arbitration between
Majlis Ugama Islam Dan Adat Resam Melayu Pahang
And
Far East Holdings Berhad & Kampong Aur Oil Palm Company (Sdn.) Berhad**

- (i) On 27 September 2012, FEHB had announced that the Company had received the Final Award (Grounds Judgement) dated 19 September 2012 from the Arbitrator.
- (ii) On 4 October 2012, FEHB had announced that the financial impact on the Final Award could not be finalised as the Board is disputing the decision and the amount awarded by the Arbitrator. The Company would proceed to refer to the High Court on the question of law arising out of the Final Award under Section 42 of the Arbitrator Act 2005.
- (iii) On 7 November 2012, FEHB had announced that the Company had filed Originating Summons in the High Court of Malaya at Kuala Lumpur to challenge the Final Award. The Originating Summons and Affidavit in Support have been served on Majlis Ugama Islam dan Adat Resam Melayu Pahang on 7 November and a copy of the same was served on the Arbitrator.
- (iv) On 19 November 2012, FEHB had announced that the Company had on 16 November 2012 received a sealed copy of an Originating Summons and Affidavit in Support from MUIP. The Originating Summons is dated 12 November 2012 and the Affidavit in Support was affirmed on 9 November 2012. The aforesaid Originating Summons is fixed for case management on 26 November 2012.
- (v) On 19 November 2012, FEHB had announced that the mention date for the Originating Summons in the High Court of Malaya at Kuala Lumpur to

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challenge the Final Award is fixed on the 29.11.2012 before the Deputy Registrar NCC4 High Court Kuala Lumpur.

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”)

The total planted area was 2,860 hectares and as at 30 September 2012 all areas had been declared as matured. FEDP had recorded a profit before tax of RM1.77 million for the cumulative quarter ended 30 September 2012.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 677.66 hectares have been developed. FERSB had recorded a loss before tax of RM27,677 for the cumulative quarter ended 30 September 2012.

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

FPSB recorded a loss of RM4.84 million for the cumulative quarter ended 30 September 2012.

Status of Material Litigation

Alami Vegetable Oil Products Sdn Bhd had settled all the amount due to FPSB in September 2012 amounting to RM9,763,582.

28. DIVIDEND

- (i) **Current quarter for the financial period ending 30 September 2012**

The Board is recommending an interim dividend (single tier) of seven point five (7.50) sen, be declared in respect of the financial year ending 31 December 2012 and will be paid on 16 January 2013 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 3 January 2013.

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Dividend for the financial year ended 31 December 2011

On 6 April 2012, the Company had announced recommendation for a final single tier dividend of 15 sen per share and a special single tier dividend of 10 sen per share for the financial year ended 31 December 2011 and the dividend was approved at Annual General Meeting on 20 June 2012 and payment date was on 18 July 2012.

(ii) Current quarter for the financial period ending 30 September 2011

The Board had recommended an interim dividend (single tier) of fifteen (15) sen, be declared in respect of the financial year ending 31 December 2011 and was paid on 9 January 2012 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business 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.

29. 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		9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit attributable to equity holder of the parent (RM'000)	44,512	37,650	80,212	85,402
Weighted average number of ordinary shares in issue ('000)	140,602	137,025	140,602	137,025
Basic EPS (sen)	31.66	27.48	57.05	62.33

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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		9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit attributable to equity holder of the parent (RM'000)	44,512	37,650	80,212	85,402
Weighted average number of ordinary shares in issue ('000)	140,602	137,025	140,602	137,025
Effect of dilution ('000)	-	197	-	249
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	140,602	137,222	140,602	137,274
Diluted EPS (sen)	31.66	27.44	57.05	62.21

30. RETAINED EARNINGS

	As at 30.9.2012 Unaudited RM'000	As at 31.12.2011 Audited RM'000
Realised	532,790	494,666
Unrealised	(14,951)	(24,009)
Total Retained Earnings	517,839	470,657

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 21 November 2012 by the Board of Directors in accordance with a resolution of the Directors.