

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 financial year ended 31 December 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 financial year ended 31 December 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 31 December 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

Dividends paid are as follows:

	3 months ended		12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interim dividend	-	-	-	13,651 ¹
Final dividend	-	-	35,348 ⁴	27,608 ²
Interim dividend	10,604 ⁵	20,967 ³	10,604 ⁵	20,967 ³
	10,604	20,967	45,952	62,226

Note:

- 1 An interim single tier dividend of ten (10) sen per share for the financial year ended 31 December 2010 was paid on 21 January 2011.
- 2 A final single tier dividend of twenty (20) sen per share for the financial year ended 31 December 2010 was paid on 14 July 2011.
- 3 An interim single tier dividend of fifteen (15) sen per share 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.
- 4 A final single tier dividend of fifteen (15) sen per share and a special single tier dividend of ten (10) sen per share for the financial year ended 31 December 2011 were paid on 18 July 2012.

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- 5 On 21 November 2012, the Company had announced an interim single tier dividend of seven point five (7.5) sen per share for the financial year ended 31 December 2012 to shareholder whose names appear in the Record of Depositors of the Company on 3 January 2013 and was paid on 16 January 2013. The amount was taken-up in the retained earnings for the financial year ended 31 December 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 2011.

11. SUBSEQUENT MATERIAL EVENTS

There was no subsequent material events at the date of this current quarter and financial year ended 31 December 2012.

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 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		12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue	120,674	118,587	452,362	479,254
Profit before taxation	16,162	43,474	121,975	156,162
Net profit for the period	7,981	38,043	93,580	129,740

Lower revenue, profit before taxation and net profit for the year 2012 when compared to the year 2011 were mainly due to:-

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- (i) Higher estate expenditure by RM15.29 million (24%) due to the estate programmes had completed as per schedule especially for the manuring programme when compared to the year 2011.
- (ii) Lower crop received and processed by the mill during the year by 29,440 mt (8%) which was 340,720 mt when compared to the year 2011 which was 370,160 mt as there were some outside estates had diverted the crop to other millers.
- (iii) Lower average CPO and kernel price during the year of RM3,017 per mt and RM1,650 per mt respectively when compared to RM3,118 per mt and RM2,300 per mt respectively for the year 2011.
- (iv) Lower contribution from the share of profits from associated companies by RM32.11 million (61%).

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2012 RM'000	Preceding Quarter 30.9.2012 RM'000
Revenue	120,674	129,082
Profit before taxation	16,162	57,689
Net profit for the period	7,981	47,066

The Group posted lower revenue, profit before taxation and net profit for the current quarter ended 31 December 2012 when compared to the preceding quarter ended 30 September 2012 were mainly due to:-

- (i) Lower FFB production by 4,433 metric tonnes.
- (ii) Lower average CPO and kernel price for the current quarter of RM2,683 per mt and RM1,107 per mt respectively when compared to RM3,029 per mt and RM1,527 per mt respectively for the preceding quarter.

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- (iii) Lower contribution from the share of profits from associated companies by RM19.71 million.

16. OTHER OPERATING INCOME

	3 months ended		12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
- Net sales of scout harvesting and FFB from "tapping right"	(343)	477	2,167	2,251
- Net sales of seedlings	67	388	113	133
- Net sales of palm kernel shell and others	(188)	314	792	878
- Amount over taken-up for the gain on disposal of land	-	180	-	-
- Gain on disposal of property, plant and equipment	-	(8)	32	-
- Rental income	24	9	96	35
- Others	11	-	40	73
Total	(429)	1,360	3,240	3,370

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 2012.

18. 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 2012.

19. 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 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 31.12.2012 RM'000	As at 31.12.2011 RM'000
Property, plant and equipment	9,812	8,524
Oil palm estates development	13,087	13,700
Acquisition of land	40,000	40,000
Total capital commitments	62,899	62,224

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

23. TAXATION

	3 months ended		12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Current year tax	5,556	3,497	25,782	24,869
Under/(Over) provision in prior year	1,345	16	1,333	(365)
Deferred tax	1,280	1,918	1,280	1,918
Total	8,181	5,431	28,395	26,422

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2012 and 31 December 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 current quarter and financial year ended 31 December 2012 and 31 December 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 current quarter and financial year ended 31 December 2012.

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25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

26. STATUS OF THE MATERIAL LITIGATIONS

IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS NO. 24NCC(ARB)-46-11/2012

1. Far East Holdings Berhad

2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Plaintiffs

And

Majlis Ugama Islam dan Adat Resam Melayu Pahang - Defendant

IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS NO. 24NCC(ARB)-54-11/2012 (formerly 47-11/2012)

Majlis Ugama Islam dan Adat Resam Melayu Pahang - Plaintiff

And

1. Far East Holdings Berhad - 1st Defendant

2. Kampong Aur Oil Palm Company (Sdn) Berhad - 2nd Defendant

The above cases were heard by the Deputy Registrar of the High Court in Kuala Lumpur on 22 January 2013. The status of the above proceeding is as below:-

- ❖ Parties are to file their respective affidavits in reply on or before the 28 February 2013.
- ❖ Parties are to file the written submissions through e-filing on or before 30 April 2013.
- ❖ The hearing dates are fixed on the 15 May 2013 and 16 May 2013.

The announcement of the above had been released to Bursa Malaysia on 23 January 2013.

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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”)

The total planted area was 2,860 hectares and as at 31 December 2012 all areas had been declared as matured. FEDP had recorded a profit before tax of RM3.74 million for the financial year ended 31 December 2012.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 677.66 hectares have been developed. FERSB had recorded a profit before tax of RM462,472 for the financial year ended 31 December 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 RM10.11 million for the financial year ended 31 December 2012.

28. DIVIDEND

- (i) **Current quarter for the financial period ending 31 December 2012**

The final dividend for the financial year ended 31 December 2012 would be announced at a later date.

On 21 November 2012, the Company had announced an interim single tier dividend of seven point five (7.5) sen per share, in respect of the financial year ending 31 December 2012 and had been paid on 16 January 2013 to the shareholders whose names appear in the Record of Depositors of the Company on 3 January 2013.

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

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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 31 December 2011

The recommendation for the final dividend for the year ended 31 December 2011 was announced on 20 April 2012.

The Board had recommended an interim single tier dividend 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 single tier dividend of 20 sen 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 owners of the Company by the weighted average number of ordinary shares in issue during the period:

	3 months ended		12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit attributable to equity holder of the owners of the Company (RM'000)	4,253	34,284	84,465	119,686
Weighted average number of ordinary shares in issue ('000)	141,008	137,651	141,008	137,651
Basic EPS (sen)	3.02	24.91	59.90	86.95

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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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit attributable to equity holder of the owners of the Company (RM'000)	4,253	34,284	84,465	119,686
Weighted average number of ordinary shares in issue ('000)	141,008	137,651	141,008	137,651
Effect of dilution ('000)	-	73	-	102
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	141,008	137,724	141,008	137,753
Diluted EPS (sen)	3.02	24.89	59.90	86.88

30. RETAINED EARNINGS

	As at 31.12.2012 Unaudited RM'000	As at 31.12.2011 Audited RM'000
Realised	532,806	494,665
Unrealised	(18,217)	(24,009)
Total Retained Earnings	514,589	470,656

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 22 February 2013 by the Board of Directors in accordance with a resolution of the Directors.