## 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 2012. 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 2012.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following:

### 2.1 Effective for financial periods beginning on or after 1 July 2012

| | |
|---|---|
| Amendments to FRS 101 | Presentation of Items of Other Comprehensive Income |

### 2.2 Effective for financial periods beginning on or after 1 January 2013

| | |
|---|---|
| FRS 10 | Consolidated Financial Statements |
| FRS 11 | Joint Arrangements |
| FRS 12 | Disclosure of Interests in Other Entities |
| FRS 13 | Fair Value Measurement |
| FRS 119 | Employee Benefits |
| FRS 127 | Separate Financial Statements |
| FRS 128 | Investment in Associates and Joint Ventures |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

### 2.2 Effective for financial periods beginning on or after 1 January 2013

| | |
|---|---|
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Amendments to FRS 1 | Government Loans |
| Amendments to FRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 10, FRS 11 and FRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance |
| Amendments to FRS 132 | Offsetting Financial Assets and Financial Liabilities |
| Improvements to FRSs (2012) | |

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.

**Malaysian Financial Reporting Standards**

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.

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 31 March 2013.

## 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 2013.

## 6. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2012 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 2013.

## 8. DIVIDEND PAID

Dividend paid is as follow:

| | 3 months ended | |
|---|---|---|
| | **31.3.2013 RM'000** | **31.3.2012 RM'000** |
| Interim dividend | 10,604[2] | 20,967[1] |

**Note:**

1 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.

2 An interim single tier dividend of seven point five (7.5) sen per share for the financial year ended 31 December 2012 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 2012.

**11. SUBSEQUENT MATERIAL EVENTS**

There was no subsequent material events at the date of this cumulative quarter ended 31 March 2013.

**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 2013.

**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 (Note 26).

**14. REVIEW OF PERFORMANCE**

| | **3 months ended** | |
|---|---|---|
| | **31.3.2013 RM'000** | **31.3.2012 RM'000** |
| Revenue | **93,200** | 96,282 |
| Profit before taxation | **18,448** | 22,855 |
| Net profit for the period | **14,710** | 18,010 |

Lower revenue, profit before taxation and net profit for the cumulative quarter ended 31 March 2013 when compared to the corresponding cumulative quarter ended 31 March 2012 were mainly due to:-

(i) Lower average CPO and kernel prices during the period of RM2,327 per mt and RM1,193 per mt respectively when compared to RM3,172 per mt and RM1,948 per mt respectively for the corresponding period of 2012.

(ii) Lower contribution from the share of profits from associated companies by RM1.2 million (26%).

(iii) Higher estate expenditure by RM0.7 million (4%).

## 15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Current Quarter 31.3.2013 RM'000 | Preceding Quarter 31.12.2012 RM'000 |
|---|---|---|
| Revenue | **93,200** | 120,674 |
| Profit before taxation | **18,448** | 16,162 |
| Net profit for the period | **14,710** | 7,981 |

The Group posted lower revenue mainly due to lower FFB production by 28,780 metric tonnes and lower average CPO price for the current quarter of RM2,327 per mt when compared to RM2,683 per mt for the preceding quarter 31 December 2012.

However the group posted higher profit before taxation and net profit for the current quarter ended 31 March 2013 when compared to the preceding quarter ended 31 December 2012 due to higher contribution from the share of profits from associated companies by RM8.03 million.

## 16. OTHER OPERATING INCOME

| | 3 months ended | |
|---|---|---|
| | **31.3.2013 RM'000** | **31.3.2012 RM'000** |
| - Net sales of scout harvesting and FFB from "tapping right" | 696 | 530 |
| - Net sales of seedlings | 15 | 56 |
| - Net sales of palm kernel shell and others | 495 | 193 |
| - Rental income | 21 | 23 |
| - Others | 7 | 8 |
| **Total** | **1,234** | **810** |

## 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 31 March 2013.

**18. FOREIGN EXCHANGE GAIN OR LOSS**

The Group does not have any foreign exchange gain or loss for the current and cumulative quarter ended 31 March 2013.

**19. GAIN OR LOSS ON DERIVATIVES**

The Group does not have any gain or loss on derivatives for the current and cumulative quarter ended 31 March 2013.

**20. CURRENT YEAR PROSPECTS**

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

**21. CAPITAL COMMITMENTS**

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

| | **As at 31.3.2013 RM'000** | **As at 31.3.2012 RM'000** |
|---|---:|---:|
| Property, plant and equipment | **9,625** | 7,593 |
| Oil palm estates development | **12,377** | 13,951 |
| Acquisition of land | **40,000** | 40,000 |
| **Total capital commitments** | **62,002** | **61,544** |

**22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE**

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

**23. TAXATION**

| | **3 months ended** | |
|---|---:|---:|
| | **31.3.2013 RM'000** | **31.3.2012 RM'000** |
| Current year tax | **3,738** | 4,828 |
| Under provision in prior year | **-** | 17 |
| **Total** | **3,738** | **4,845** |

The effective tax rate of the Group for the cumulative quarter ended 31 March 2013 and 31 March 2012 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 31 March 2013 and 31 March 2012 was lower than the statutory tax rate due to certain income which not taxable.

**24. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals for the cumulative quarter ended 31 March 2013.

**25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

During the current quarter and cumulative quarter ended 31 March 2013, 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 hearing dates for the above cases which were scheduled on the 15 and 16 May 2013; was adjourned to 21 August 2013.

## 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 March 2013 all areas had been declared as matured. FEDP had recorded a loss before tax of RM595,595 for the current quarter ended 31 March 2013.

**F.E.Rangkaian Sdn Bhd ("FERSB")**

Currently only 677.66 hectares have been developed. FERSB had recorded a profit before tax of RM4,334 for the current quarter ended 31 March 2013.

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

FPSB recorded a loss of RM486,743 for the current quarter ended 31 March 2013.

## 28. DIVIDEND

No interim dividend was declared in the financial period ended 31 March 2013 (31 March 2012: Nil).

## 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** | |
|---|---|---|
| | **31.3.2013** | **31.3.2012** |
| Profit attributable to equity holder of the owners of the Company (RM'000) | **13,564** | 16,528 |
| Weighted average number of ordinary shares in issue ('000) | **141,390** | 139,806 |
| **Basic EPS (sen)** | **9.59** | 11.82 |

**(b) Diluted EPS**

There was no diluting factor to earnings per share for the current quarter and the figure is the same as basic earnings per share.

## 30. RETAINED EARNINGS

| | As at 31.3.2013 Unaudited RM'000 | As at 31.12.2012 Audited RM'000 |
|---|---|---|
| Realised | 546,916 | 532,505 |
| Unrealised | (18,314) | (18,217) |
| **Total Retained Earnings** | **528,602** | **514,288** |

## 31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 23 May 2013 by the Board of Directors in accordance with a resolution of the Directors.