

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 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

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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 Improvements to FRSs (2012)	Offsetting Financial Assets and Financial Liabilities

2.3 Effective for financial periods beginning on or after 1 January 2014

Amendments to FRS 10, FRS 12, FRS 127 - Investment Entities

2.4 Effective for financial periods beginning on or after 1 January 2015

FRS 9 - Financial Instruments

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”).

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On 7 August 2013, MASB announced that it will permit Transitioning Entities to defer the adoption of the new MFRS Framework until annual periods beginning on or after 1 January 2015.

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 2015. 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 2015.

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 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 financial year ended 31 December 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.

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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 quarter and financial year ended 31 December 2013.

8. DIVIDEND PAID

Dividend paid is as follow:-

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Interim dividend	14,139 ⁴	10,604 ²	14,139 ⁴	10,604 ²
Final dividend	-	-	24,743 ³	35,348 ¹
	14,139	10,604	38,882	45,952

Note:

- 1 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.
- 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.
- 3 A final single tier dividend of seventeen point five (17.5) sen per share for the financial year ended 31 December 2012 was paid on 8 July 2013.
- 4 An interim single tier dividend of ten (10) sen per share for the financial year ended 31 December 2013 was paid on 10 January 2014. The amount was taken-up in the retained earnings for the financial year ended 31 December 2013.

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.

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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 current quarter and financial year ended 31 December 2013.

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 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		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Revenue	138,090	120,674	439,781	452,362
Profit before taxation	41,175	15,890	108,706	121,703
Net profit for the period	31,783	7,709	85,371	93,308

Lower revenue, profit before taxation and net profit for the year 2013 when compared to the year 2012 were due to lower average CPO and kernel prices during the year of RM2,375 per mt and RM1,615 per mt respectively when compared to RM3,017 per mt and RM1,615 per mt respectively for the year 2012.

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2013 RM'000	Preceding Quarter 30.9.2013 RM'000
Revenue	138,090	116,959
Profit before taxation	41,175	37,400
Net profit for the period	31,783	29,551

The Group posted higher revenue, profit before taxation and net profit for the period were mainly due to:-

- (i) Higher average CPO and kernel prices for the current quarter of RM2,504 per mt and RM1,611 per mt respectively when compared to RM2,344 per mt and RM1,337 per mt respectively for the preceding quarter.
- (ii) Higher contribution from the share of profits from associated companies by RM2.03 million (34%).

16. OTHER OPERATING INCOME

	3 months ended		12 months ended	
	31.12.2013 RM'000	1.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
- Net sales of scout harvesting and FFB from "tapping right"	1,631	(343)	4,370	2,167
- Net sales of seedlings	6	67	335	113
- Net sales of palm kernel shell and others	(462)	(188)	1,385	792
- Gain on disposal of property, plant and equipment	323	-	361	32
- Rental income	20	24	83	96
- Others	12	11	57	40
Total	1,530	(429)	6,591	3,240

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 2013.

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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 2013.

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 2013.

20. CURRENT YEAR PROSPECTS

The Group is expected to achieve favourable 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 31.12.2013 RM'000	As at 31.12.2012 RM'000
Property, plant and equipment	7,079	9,812
Oil palm estates development	16,745	13,087
Acquisition of land	40,000	40,000
Total capital commitments	63,824	62,899

22. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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23. TAXATION

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current year tax	8,891	5,556	22,846	25,782
Under provision in prior year	24	1,345	12	1,333
Deferred tax	477	1,280	477	1,280
Total	9,392	8,181	23,335	28,395

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2013 and 31 December 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 current quarter and financial year ended 31 December 2013 and 31 December 2012 was lower than the statutory tax rate due to certain income which is not taxable.

24. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the current quarter and financial year ended 31 December 2013.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year ended 31 December 2013, the Group did not enter into any contract involving off balance sheet instruments.

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26. STATUS OF THE MATERIAL LITIGATIONS

**Application for Stay of Execution by FEHB/KAOP
IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR
(COMMERCIAL DIVISION)**

ORIGINATING SUMMONS NO. 24NCC(ARB)-54-11/2012 (formerly 47-11/2012)

In the matter of Section 38 of the Arbitration Act 2005;

And

In the matter of Order 69 Rule 8 Rules of Court 2012;

And

In the matter of an Agreement dated 16th January 1992;

And

In the matter of a Final Award of Haji Mohd Rasheed Khan Bin Mohd Idris dated 19th September 2012 and Corrective Award dated 11th October 2012;

BETWEEN

Majlis Ugama Islam Dan Adat Resam Melayu Pahang ... Plaintiff

AND

1. Far East Holdings Berhad (FEHB) (14809-W)
2. Kampong Aur Oil Palm Company (Sdn) Berhad (KAOP) (7017-X) ...Defendants

❖ In reference to the application for stay by FEHB/KAOP; the Learned Judicial Commissioner Yang Arif Datin Azizah binti Nawawi had on the 19 February 2014 delivered her decision.

❖ The Learned Judicial Commissioner has granted stay pending the appeal with no order as to costs. The Learned Judicial Commissioner has also ordered that in the meantime, no changes are to be made to the shares concerned.

Appeal by FEHB/KAOP

**COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2672-12/2013
(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 - Appellants

And

Majlis Ugama Islam dan Adat Resam Melayu Pahang - Respondent

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**COURT OF APPEAL - CIVIL APPEAL NO. W-02(NCC)(A) - 2671-12/2013
(IN THE HIGH COURT AT KUALA LUMPUR ORIGINATING SUMMONS
NO. 24NCC(ARB)-54-11/2012)**

1. Far East Holdings Berhad
 2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Appellants
- And**
- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Respondent

- ❖ Notice of Appeal was filed on 3 December 2013.
- ❖ The case management of the above cases had been held at the Court of Appeal on 21 January 2014.
- ❖ The next case management has been scheduled on 6 March 2014.

Appeal by MUIP

- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Appellant
- And**
1. Far East Holdings Berhad
 2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Respondents

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

In the matter of a Final Award dated 19th September 2012 and Corrective Award dated 11th October 2012;

And

In the matter of Section 42 and Section 37(1)(a)(iv), (v) and (b)(ii) and Section 37(2)(b) and Section 30(1) and (5) Arbitrator Act, 2005

Between

1. Far East Holdings Berhad
 2. Kampong Aur Oil Palm Company (Sdn.) Berhad - Plaintiffs
- And**
- Majlis Ugama Islam dan Adat Resam Melayu Pahang - Defendant

- ❖ MUIP had filed a notice of appeal dated 19.12.2013 to the Court of Appeal against part of the decision of the learned Judicial Commissioner Datin Azizah binti Nawawi which held that the pre-award interest and the post-award interest in the Final Award dated 19.9.2012 be set aside.

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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”)

FEDP had recorded a profit before tax of RM2.83 million for the financial year ended 31 December 2013.

F.E.Rangkaian Sdn Bhd (“FERSB”)

Currently only 1,052.76 hectares have been developed. FERSB had recorded a profit before tax of RM977,016 for the financial year ended 31 December 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 RM2.43 million for the financial year ended 31 December 2013.

28. DIVIDEND

- (i) **Current quarter for the financial period ending 31 December 2013**

The final dividend for the financial year ended 31 December 2013 would be announced at a later date.

On 21 November 2013, the Company had announced an interim single tier dividend of ten (10) sen per share, in respect of the financial year ending 31 December 2013 and had been paid on 10 January 2014 to the shareholders whose names appear in the Record of Depositors of the Company on 26 December 2013.

Dividend for the financial year ended 31 December 2012

On 9 April 2013, the Company had announced recommendation for a final single tier dividend of seventeen point five (17.5) sen per share for the financial year ended 31 December 2012 and the dividend was approved at

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Annual General Meeting on 19 June 2013 and the payment date was on 8 July 2013.

Current quarter for the financial period ending 31 December 2012

The recommendation for a final single tier dividend for the year ended 31 December 2012 was announced on 30 April 2013.

The Board had recommended an interim single tier dividend of seven point five (7.50) sen, be declared in respect of the financial year ending 31 December 2012 and was 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.

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.

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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to equity holder of the owners of the Company (RM'000)	24,221	3,952	73,798	84,164
Weighted average number of ordinary shares in issue ('000)	141,390	141,008	141,390	141,008
Basic EPS (sen)	17.13	2.80	52.19	59.69

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(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 31.12.2013 Unaudited RM'000	As at 31.12.2012 Audited RM'000
Realised	569,154	532,505
Unrealised	(16,542)	(18,217)
Total Retained Earnings	552,612	514,288

31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 24 February 2014 by the Board of Directors in accordance with a resolution of the Directors.