

**1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group's financial statement for the year ended 31 December 2005. 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 financial year ended 31 December 2005.

**2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2006:

- FRS 2 Share-based Payment
- FRS 3 Business Combination
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 127 Consolidated and Separate Financial Statements
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets

New/revised FRSs which would be adopted from the financial period beginning 1 January 2007 are:

- FRS 117 Leases
- FRS 124 Related Party Disclosure
- FRS 139 Financial Instruments: Recognition and Measurement

The adoption of all FRSs mentioned above does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:

**FRS 2: Share-based Payment**

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, others, or equity instruments of the entity.

The company operates an equity-settled, share-based compensation plan for the employees of the Group, the Far East Holdings Berhad Employees' Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense relating to share options is recognized in the profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognized as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 December 2005 are restated and the opening balance of retained earnings as at 1 January 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:

	<b>As at 1.1.2006</b>	
	<b>(RM'000)</b>	
Decrease in retained earnings	(28)	
Increase in equity compensation reserve (included within other reserve)	28	
	<b>3 months and year-to- date ended</b>	<b>3 months and year- to-date ended</b>
	<b>31.3.2006</b>	<b>31.3.2005</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
Decrease in profit for the period	28	8

**FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within the total equity. In the

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consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**Change in accounting policy for the breeding stock**

Breeding stocks are stated at the lower of cost and net realizable value. Previously, the natural increase/decrease resulting from the valuation of breeding stocks at current net selling value is transferred to capital reserve. Effective 1 January 2006, the natural increase/decrease resulting from the valuation of breeding stocks at current net selling value is transferred to the profit and loss. The effect of the changes in this accounting policy has been applied prospectively. The financial impact to the Group arising from this change in accounting policy is as follows:

	<b>3 months and year-to-date ended</b>
	<b>31.3.2006</b>
	<b>(RM'000)</b>
Decrease in net profit for the year	(48)
Increase in capital reserves (included within other reserves)	8

**3. COMPARATIVES**

The following comparative amounts have been restated due to the adoption of a new FRS:

	<b>Previously stated</b>	<b>Adjustments (FRS 2)</b>	<b>Restated</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>At 31 December 2005</b>			
Retained earnings	157,715	(28)	157,687
<b>3 months and year-to-date ended 31 March 2005</b>			
Profit before taxation	10,258	(8)	10,250
Profit for the year	7,386	(8)	7,378

**4. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT**

The audit report of the Group's financial statements for the financial year ended 31 December 2005 was not qualified.

**5. SEASONALITY OR CYCLICALITY**

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuating commodity prices.

**6. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidence in the current quarter under review and financial year-to-date except as disclosed in Note 2.

**7. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts that have a material effect in the current quarter.

**8. 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 financial year to-date except for the issue of the following new ordinary share of RM1-00 each pursuant to the Company's Employees' Share Option Scheme:-

<b>Option price per share [RM]</b>	<b>No. of shares issued ['000]</b>	<b>Cash proceeds [RM '000]</b>
1.02	192	196
1.635	40	65
1.79	8	14
2.125	92	196
<b>Total</b>	<b>332</b>	<b>471</b>

**9. DIVIDENDS PAID**

There were no dividends paid or declared during the current quarter.

**10. SEGMENTAL REPORTING**

No segmental reporting has been prepared as the group activities are predominantly in plantation activity, which is mainly carried out in Malaysia.

**11. PROPERTY PLANT AND EQUIPMENT**

The valuation of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2005.

**12. SUBSEQUENT MATERIAL EVENTS**

There were no subsequent material events at the date of this quarterly report.

**13. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

**14. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

The Group does not have any contingent liabilities or contingent assets for the current quarter under review.

**15. REVIEW OF PERFORMANCE**

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2006</b>	<b>31.3.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	12,955	14,454
Profit before taxation	8,287	10,250
Profit after taxation	5,980	7,378

Lower revenue and profit before tax for the cumulative quarter 2006 as compared to the cumulative preceding year quarter 2005 was in line with the lower FFB ("Fresh Fruit Bunches") for the cumulative quarter 2006. The FFB production showed a decrease of 11% (6,195 mt) as compared to the cumulative preceding year quarter 2005.

**16. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	<b>Current Quarter 31.3.2006 RM'000</b>	<b>Current Quarter 31.12.2005 RM'000</b>
Revenue	12,955	15,671
Profit before taxation	8,287	11,989
Profit after taxation	5,980	7,720

For the first quarter ended 31 March 2006, the Group recorded a profit before tax of RM8.29 million and a profit after tax of RM5.98 million as compared to RM11.99 million and RM7.72 million in the preceding quarter respectively. Lower profit in the current quarter as compared to the preceding quarter were due to the:

- [i] Lower FFB production by 15% (8,775 mt) as compared to the preceding quarter 31 December 2005. The decrease was in line with the cyclical trend of lower production for the first half of the year.
- [ii] Lower share of associated profits by RM3.02 million (60%) recorded in the current quarter as compared to the preceding quarter.

**17. CURRENT YEAR PROSPECTS**

The Group is expected to achieve favorable result given the expectation that CPO price would remain strong.

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

Not applicable as there were no profit forecast and profit guarantee published.

**19. TAXATION**

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2006 RM'000</b>	<b>31.3.2005 RM'000</b>
<b><u>Income Tax:</u></b>		
Current tax charge	1,740	2,342
Share of tax of associate company	567	530
	<b>2,307</b>	<b>2,872</b>

The Group effective tax rate for the cumulative quarter ended 31 March 2006 was 28%, which was the same as the statutory tax.

**20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There was no sale of unquoted investments and/or properties for the current quarter under review.

**21. QUOTED SECURITIES**

There was no purchase or disposal of quoted securities for the current quarter under review.

**22. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals for the period under review.

**23. GROUP BORROWINGS AND DEBT SECURITIES**

There were no group borrowings and debt securities for the period under review.

**24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

During the current quarter, the Group did not enter into any contracts involving off balance sheet instruments.

**25. STATUS OF THE MATERIAL LITIGATIONS**

There were no material litigations pending at the date of this announcement.

**26. DIVIDEND**

No dividend has been proposed or declared for the current quarter under review. (No dividend was declared in the preceding current quarter 2005).

**27. EARNINGS PER SHARE (“EPS”)**

(a) **Basic EPS**

Basic EPS is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period:

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2006</b>	<b>31.3.2005</b>
	<b>RM’000</b>	<b>RM’000</b>
Profit attributable to equity holder of parent (RM’000)	5,556	6,751
Weighted average number of ordinary shares in issue (‘000)	133,066	131,624
Basic EPS (sen)	<b>4.18</b>	<b>5.13</b>

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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 and financial year-to-date have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2006</b>	<b>31.3.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to equity holder of parent (RM'000)	5,556	6,751
Weighted average number of ordinary shares in issue ('000)	133,066	131,624
Effect of dilution ('000)	810	687
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	133,876	132,311
Dilutive EPS (sen)	<b>4.15</b>	<b>5.10</b>