FAR EAST HOLDINGS BERHAD (14809-W)
(Incorporated in Malaysia)

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:

	As at 1.1.2006 (RM'000)
Decrease in retained earnings	(28)
Increase in equity compensation reserve (included within other reserve)	28

	3 months ended		**9 months ended**	
	30.9.2006	**30.9.2005**	**30.9.2006**	**30.9.2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Decrease in profit for the period	-	20	28	28

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 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 resulted 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:

	As at 1.1.2006 (RM'000)
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:

	Previously stated (RM'000)	Adjustments (FRS 2) (RM'000)	Restated (RM'000)
At 31 December 2005			
Retained earnings	157,715	(28)	157,687
3 months ended 30 September 2005			
Profit before taxation	18,710	(20)	18,690
Net profit for the period	13,144	(20)	13,124
9 months ended 30 September 2005			
Profit before taxation	38,229	(28)	38,201
Net profit for the period	27,570	(28)	27,542

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 and financial year to date results.

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:-

Option price per share [RM]	No. of shares issued ['000]	Cash proceeds [RM '000]
1.020	677	691
1.635	660	1,079
1.790	62	111
2.125	288	612
2.745	77	211
Total	**1,764**	**2,704**

9. DIVIDENDS PAID

Dividends paid were as follows:

	3 months ended		9 months ended	
	30.9.2006	**30.9.2005**	**30.9.2006**	**30.9.2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Final dividend	13,036[1]	10,946[2]	13,036[1]	10,946[2]

Notes:

1 A final dividend of ten(10) sen less 28% Malaysian Income Tax and a tax exempt dividend of two and a half(2.5) sen for the financial year ended 31 December 2005 was paid on 5 July 2006.

2 A final dividend of twelve and a half(12.5) sen less 28% Malaysian Income Tax and a tax exempt dividend of seven and a half(7.5) sen for the financial year ended 31 December 2004 was paid on 18 July 2005.

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

On 10 May 2006, the Company had completed the additional acquisition of 22% of equity stake in Kilang Kosfarm Sdn Bhd ("KKSB") for the purchase consideration of RM4.40 million. The announcement on the acquisition was made by the Company on 25 November 2005. The acquisition had resulted in the "negative goodwill" amounting to RM3.20 million which was recognized as other income in the current quarter ended 30 June 2006.

The acquired subsidiary i.e. KKSB has contributed the following results to the Group:

	3 months ended 30.9.2006 RM'000	9 months ended 30.9.2006 RM'000
Revenue	50,537	64,763
Net profit for the period	636	1,044

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

	3 months ended		9 months ended	
	30.9.2006 RM'000	30.9.2005 RM'000	30.9.2006 RM'000	30.9.2005 RM'000 (restated)
Revenue	62,897	22,830	102,954	55,644
Profit before taxation	22,274	18,690	43,774	38,201
Net profit for the period	17,991	13,124	34,233	27,542

Higher revenue and net profit for the current quarter 2006 and cumulative quarter 2006 as compared to the current quarter 2005 and cumulative quarter 2005 respectively were due to:

(a) Higher average crude palm oil price.

(b) Inclusion of KKSB's revenue as a new subsidiary of the Group.

(c) Recognition of reserves on consolidation as other income of RM3.20 million upon completion of the additional acquisition of KKSB as explained in Note 13.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.9.2006 RM'000	Current Quarter 30.6.2006 RM'000
Revenue	62,897	27,102
Profit before taxation	22,274	13,213
Net profit for the period	17,991	10,262

For the third quarter ended 30 September 2006, the Group recorded higher revenue and profits as compared to the second quarter ended 30 June 2006. The increase was due to:

(a) Increase in the FFB ("fresh fruit production") by 24% (17,366 mt).

(b) Higher average CPO prices during the current quarter ended 30 September 2006.

(c) Inclusion of KKSB's revenue as a new subsidiary of the Group.

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

	3 months ended		9 months ended	
	30.9.2006 RM'000	30.9.2005 RM'000	30.9.2006 RM'000	30.9.2005 RM'000
Current tax charge	3,406	4,320	7,756	8,450
Share of tax of associated company	877	1,246	1,785	2,209
Total	**4,283**	**5,566**	**9,541**	**10,659**

The Group effective tax rate for the current and cumulative quarter was lower than the statutory tax rate due to certain income not subject to 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

Pursuant to the announcement made by our adviser i.e. Messrs AmMerchant Bank Berhad on 27 November 2006, necessary course of actions have been taken by the Company to ensure relevant announcements be made and approvals be obtained by the relevant authority.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 30.9.2006 RM'000	As at 31.12.2005 RM'000
Current		
Hire purchase liabilities (secured)	63	-
Non Current		
Hire purchase liabilities (secured)	442	-

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

Originating Summon – Kuantan HCOS NO. MT (1) 24-263-2006
Majlis Ugama Islam Dan Adat Resam Melayu Pahang - vs -

1) Far East Holdings Berhad
2) Kampong Aur Oil Palm (Co.) Sdn Bhd

The Company has yet to obtain court decision on the above case.

26. STATUS ON THE JOINT VENTURE PROJECT

The status on the joint venture project for the development of oil palm plantation with Far East Holdings Berhad and Rangkaian Delima Sdn Bhd:

About 1,276 hectares had been planted and the joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a loss of RM111,493 for the cumulative quarter ended 30 September 2006.

27. DIVIDEND

No dividend declared in the current quarter 2006.

(In the preceding current quarter 2005, the Board had declared an interim dividend of five(5) sen less 28% income tax for the financial year ended 31 December 2005.).

28. 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:

	3 months ended		**9 months ended**	
	30.9.2006 RM'000	**30.9.2005 RM'000 (restated)**	**30.9.2006 RM'000**	**30.9.2005 RM'000 (restated)**
Profit attributable to equity holder of parent (RM'000)	15,859	11,875	31,055	25,180
Weighted average number of ordinary shares in issue ('000)	133,598	132,067	133,598	132,067
Basic EPS (sen)	**11.87**	**8.99**	**23.25**	**19.07**

(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.

	3 months ended		**9 months ended**	
	30.9.2006 RM'000	**30.9.2005 RM'000 (restated)**	**30.9.2006 RM'000**	**30.9.2005 RM'000 (restated)**
Profit attributable to equity holder of parent (RM'000)	15,859	11,875	31,055	25,180
Weighted average number of ordinary shares in issue ('000)	133,598	132,067	133,598	132,067
Effect of dilution ('000)	160	388	148	320
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	133,758	132,455	133,746	132,386
Diluted EPS (sen)	**11.86**	**8.97**	**23.22**	**19.02**

29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 28 November 2006 by the Board of Directors in accordance with a resolution of the directors.