

**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:

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**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 ended</b>		<b>12 months ended</b>	
	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Decrease in profit for the period	-	-	27	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:

	<b>As at 1.1.2006</b> <b>(RM'000)</b>
Increase in capital reserves (included within other reserves)	8

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**3. COMPARATIVES**

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

	<b>Previously stated (RM'000)</b>	<b>Adjustments (FRS 2) (RM'000)</b>	<b>Restated (RM'000)</b>
<b>At 31 December 2005</b>			
Retained earnings	157,715	(28)	157,687
<b>3 months ended 31 December 2005</b>			
Profit before taxation	11,973	-	11,973
Net profit for the period	7,707	-	7,707
<b>12 months ended 31 December 2005</b>			
Profit before taxation	50,202	(28)	50,174
Net profit for the period	35,277	(28)	35,249

**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

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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>
1.020	677	691
1.635	710	1,161
1.790	62	111
2.125	297	631
2.745	77	211
<b>Total</b>	<b>1,823</b>	<b>2,805</b>

**9. DIVIDENDS PAID**

Dividends paid were as follows:

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2006 RM'000</b>	<b>31.12.2005 RM'000</b>	<b>31.12.2006 RM'000</b>	<b>31.12.2005 RM'000</b>
Interim dividend	4,853 <sup>1</sup>	2,395 <sup>2</sup>	4,853 <sup>1</sup>	2,395 <sup>2</sup>
Final dividend	-	-	13,036 <sup>3</sup>	10,946 <sup>4</sup>
<b>Total dividend paid</b>	<b>4,853</b>	<b>2,395</b>	<b>17,889</b>	<b>13,341</b>

**Notes:**

- 1 An interim dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2006 was paid on 10 October 2006.
- 2 An interim dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2005 was paid on 25 October 2005.
- 3 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.
- 4 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.

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

	<b>3 months ended</b>	<b>12 months ended</b>
	<b>31.12.2006</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	61,967	126,730
Net profit for the period after minority interest	979	2,023

**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 ended</b>		<b>12 months ended</b>	
	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
				<b>(restated)</b>
Revenue	66,856	15,671	169,810	71,315
Profit before taxation	20,842	11,973	64,616	50,174
Net profit for the period	11,435	7,707	45,668	35,249

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:

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- (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**

	<b>Current Quarter</b> <b>31.12.2006</b> <b>RM'000</b>	<b>Preceding</b> <b>Quarter</b> <b>30.9.2006</b> <b>RM'000</b>
Revenue	66,856	62,897
Profit before taxation	20,842	22,274
Net profit for the period	11,435	17,991

For the fourth current quarter ended 31 December 2006, the Group recorded lower net profit for the period as compared to the current third quarter 30 September 2006. This was mainly due to lower FFB production by 17,795 mt(20%) despite higher FFB prices and higher contribution from KKSB's net profit for the current 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 ended</b>		<b>12 months ended</b>	
	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Company tax	7,019	2,647	14,775	11,097
Share of tax of associated company	1,629	1,106	3,414	3,315
Transferred to deferred tax	759	513	759	513
<b>Total</b>	<b>9,407</b>	<b>4,266</b>	<b>18,948</b>	<b>14,925</b>

The Group effective tax rate for the current and cumulative quarter was higher than the statutory tax rate due to certain expenses not allowable for 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 AmInvestment Bank Berhad on 5 December 2006, necessary course of actions have been taken by the Company to obtain approval from the relevant authority and the General Meeting would be held in due course upon the issuance of the Circular.

**23. GROUP BORROWINGS AND DEBT SECURITIES**

The Group borrowings were as follows:

	<b>As at 31.12.2006 RM'000</b>	<b>As at 31.12.2005 RM'000</b>
<b>Current</b>		
Hire purchase liabilities (secured)	432	-
<b>Non Current</b>		
Hire purchase liabilities (secured)	512	-

**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 hearing that was fixed on 12 February 2007 had been adjourned to 21 March 2007 for hearing.



**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 1,486 hectares had been planted and the joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a loss of RM292,312 for the cumulative quarter ended 31 December 2006.

**27. DIVIDEND**

**For the financial year ended 31 December 2006:**

The Board had declared an interim dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2006 and was paid on 10 October 2006.

The Board had also declared a special dividend of five(5) sen less 27% Malaysian Income Tax for the financial year ended 31 December 2006 and was paid on 29 January 2007.

The final dividend for the financial year ended 31 December 2006 would be announced at a later date.

**For the financial year ended 31 December 2005:**

The Board had declared an interim dividend of five (5) sen less 28% income tax for the financial year ended 31 December 2005. The payment date was on 25 October 2005.

The Board had declared 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 and was paid on 5 July 2006.

Total gross dividend for the financial year ended 31 December 2005 was seventeen and fifty (17.50) sen.

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**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		12 months ended	
	31.12.2006 RM'000	31.12.2005 RM'000 (restated)	31.12.2006 RM'000	31.12.2005 RM'000 (restated)
Profit attributable to equity holder of parent (RM'000)	9,754	7,646	40,809	32,826
Weighted average number of ordinary shares in issue ('000)	134,045	131,816	134,045	131,816
<b>Basic EPS (sen)</b>	<b>7.28</b>	<b>5.80</b>	<b>30.44</b>	<b>24.90</b>

(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		12 months ended	
	31.12.2006 RM'000	31.12.2005 RM'000 (restated)	31.12.2006 RM'000	31.12.2005 RM'000 (restated)
Profit attributable to equity holder of parent (RM'000)	9,754	7,646	40,809	32,826
Weighted average number of ordinary shares in issue ('000)	134,045	131,816	134,045	131,816
Effect of dilution ('000)	136	1,064	124	1,245
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	134,181	132,880	134,169	133,061
<b>Diluted EPS (sen)</b>	<b>7.27</b>	<b>5.75</b>	<b>30.42</b>	<b>24.67</b>

**29. AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue on 27 February 2007 by the Board of Directors in accordance with a resolution of the directors.