

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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2007:

FRS 117	Leases
FRS 119 ₂₀₀₄ (Revised)	Employee Benefits
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

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 117: Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

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Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed below, certain comparative amounts as at 31 December 2006 have been restated:

Restatement of comparatives

	Previously stated (RM'000)	Decrease (RM'000)	Restated (RM'000)
Property, plant and equipment	408,050	(205,154)	202,896
Prepaid land lease payments	-	205,154	205,154

3. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2006 was not qualified.

4. SEASONALITY OR CYCLICALITY

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

5. 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 except as disclosed in Note 2.

6. MATERIAL CHANGES IN ESTIMATES

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

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 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:-

Option price per share [RM]	No. of shares issued ['000]	Cash proceeds [RM '000]
1.020	35	36
1.635	100	163
2.125	33	70
Total	168	269

8. DIVIDEND PAID

Dividend paid was as follow:

	3 months and year-to-date ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Interim dividend	4,922 ¹	-

Note:

1 A special dividend of five(5) sen less 27% Malaysian Income Tax for the financial year ended 31 December 2006 was paid on 29 January 2007.

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 have been brought forward without amendments from the financial statements for the year ended 31 December 2006.

11. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events at the date of this quarterly report except as disclosed in Note 25.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 March 2007.

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13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

14. REVIEW OF PERFORMANCE

	3 months and year-to-date ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Revenue	74,975	12,955
Profit before taxation	13,198	7,720
Net profit for the period	10,245	5,980

Higher revenue and net profit for the current quarter 2007 as compared to the current quarter 2006 were due to:

- (a) Higher average crude palm oil price of RM1,895 mt for the current quarter 2007 as compared to RM1,418 for the corresponding current quarter 2006.
- (b) Higher FFB ("Fresh Fruit Bunches") production by 5,110 mt (10%) as compared to the corresponding current quarter 2006.
- (c) Inclusion of KKSBS's revenue as a new subsidiary of the Group which was only taken-up in the second quarter of 2006.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter	Preceding Quarter
	31.3.2007	31.12.2006
	RM'000	RM'000
Revenue	74,975	66,856
Profit before taxation	13,198	20,842
Net profit for the period	10,245	11,435

For the first current quarter ended 31 March 2007, the Group recorded lower net profit for the period as compared to the preceding fourth quarter 31 December 2006. This was mainly due to:

- Lower FFB production by 17,746 mt(25%) despite higher FFB prices
- Lower contribution from KKSBS's net profit for the current quarter ended 31 March 2007.

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16. CURRENT YEAR PROSPECTS

The Group is expected to achieve favorable result given the expectation of higher crop production and sustainable CPO price.

17. CAPITAL COMMITMENTS

The amount of commitments for the acquisition of shares, purchase of land, plant and equipment not provided for in the interim financial statements as at 31 March 2007 is as follows:

Approved and contracted for:

	As at 31.3.2007 (RM'000)
Acquisition of shares	23,345
Acquisition of land	28,350
Property, plant and equipment	3,801
Prepaid land lease payments	2,003
Total	57,499

18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

19. TAXATION

	3 months and year-to-date ended	
	31.3.2007	31.3.2006
	RM'000	RM'000
Company tax	2,953	1,740

The Group effective tax rate for the current quarter was 27% and for the previous corresponding quarter was 28%.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties for the current quarter under review other than through the fund manager appointed.

21. QUOTED SECURITIES

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

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22. STATUS OF CORPORATE PROPOSALS

As to date, the proposed rationalisations have not been completed, as some of the condition precedents are yet to be met.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 31.3.2007 RM'000
Current	
Hire purchase liabilities (secured)	303
Non Current	
Hire purchase liabilities (secured)	568

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 Summon In Chambers for the above dispute to Arbitration has been fixed for Hearing on 21 June 2007.

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 2,784 hectares had been planted and the joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a loss of RM84,719 for the current quarter ended 31 March 2007.

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27. DIVIDEND

No interim dividend was declared for the financial period ended 31 March 2007.

(31 March 2006: Nil)

28. 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 parent by the weighted average number of ordinary shares in issue during the period:

	3 months and year-to-date ended	
	31.3.2007	31.3.2006
	RM’000	RM’000
Profit attributable to equity holder of parent (RM’000)	9,415	5,556
Weighted average number of ordinary shares in issue (‘000)	134,873	133,066
Basic EPS (sen)	6.98	4.18

(b) **Diluted EPS**

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	3 months and year-to-date ended	
	31.3.2007	31.3.2006
	RM’000	RM’000
Profit attributable to equity holder of parent (RM’000)	9,415	5,556
Weighted average number of ordinary shares in issue (‘000)	134,873	133,066
Effect of dilution (‘000)	112	810
Adjusted weighted average number of ordinary shares in issue and issuable (‘000)	134,985	133,876
Diluted EPS (sen)	6.97	4.15

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29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 29 May 2007 by the Board of Directors in accordance with a resolution of the directors.