

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 and financial year-to-date 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 and financial year-to-date results.

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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 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	35	36
1.635	160	261
2.125	33	70
Total	228	367

8. DIVIDEND PAID

Dividend paid was as follow:

	3 months ended		12 months ended	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Interim dividend	-	4,853 ¹	4,922 ²	4,853 ¹
Final dividend	-	-	10,956 ³	13,036 ⁴
Total dividend paid	-	4,853	15,878	17,889

Note:

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. 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.
3. A final dividend of seven (7) sen less 27% Malaysian Income Tax and a tax exempt dividend of three (3) sen for the financial year ended 31 December 2006 was paid on 27 July 2007.
4. 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.

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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 valuations 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.

12. CHANGES IN THE COMPOSITION OF THE GROUP

In May 2007, the proposed disposal by the Company of 900,000 shares representing approximately 3.46% equity interest in Prosper Trading Sdn Bhd to Prosper Palm Oil Mills Sdn Bhd for a cash consideration of RM5.41 million was finalised. The proposed disposal had resulted in a gain of disposal of RM4.20 million and was recognised as other income in the quarter ended 30 June 2007.

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 ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Revenue	96,913	66,856	372,066	169,810
Profit before taxation	38,602	17,189	116,082	59,178
Net profit for the period	30,132	9,479	90,731	43,712

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

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- (a) Higher average crude palm oil price of RM2,150 mt for the cumulative quarter 2007 as compared to RM1,504 for the corresponding cumulative quarter 2006.
- (b) Inclusion of KKSB's revenue for twelve months for the cumulative quarter 2007 as compared to only eight months revenue taken-up in the cumulative quarter of 2006.
- (c) Gain of disposal of RM4.20 million resulting from the sale of Prosper Trading shares to Prosper Palm Oil Mills Sdn Bhd in the cumulative quarter 2007.
- (d) Higher profits from share of associated companies by RM8.49 million as compared to the cumulative quarter 2006.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 31.12.2007 RM'000	Preceding Current Quarter 30.9.2007 RM'000
Revenue	96,913	122,743
Profit before taxation	38,602	41,370
Net profit for the period	30,132	33,128

For the current quarter ended 31 December 2007, the Group recorded lower net profit for the period as compared to the preceding current quarter 30 September 2007. This was mainly due to lower FFB production by 6,104 mt and lower profits from the mills operations.

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 December 2007 is as follows:

Approved and not contracted for:

	As at 31.12.2007 (RM'000)
Acquisition of shares	8,000
Property, plant and equipment	25,386
Biodiesel and glycerin project	20,000
Total	53,386

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18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

19. TAXATION

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Current year tax	8,571	6,185	25,158	13,941
Under/(over) accrual in prior year	(334)	491	(40)	491
Deferred tax	233	1,034	233	1,034
Total	8,470	7,710	25,351	15,466

The Group effective tax rate for the current quarter 2007 and for the cumulative quarter 2007 was 27%.

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 managers appointed.

21. QUOTED SECURITIES

The value of the quoted securities are as follows:

	As at
	31.12.2007
	RM'000
At cost	12,580
At market value	13,445

22. STATUS OF CORPORATE PROPOSALS

As to date, all of the condition precedents for the proposed rationalisations have been met.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 31.12.2007 RM'000
Current	
Hire purchase liabilities (secured)	341
Bank Overdraft	264
Non Current	
Hire purchase liabilities (secured)	197

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 on 21 June 2007 had allowed with cost that the dispute be referred to Arbitration.

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 developed in stages since 2005. The joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a loss of RM555,136 for the cumulative quarter ended 31 December 2007.

27. DIVIDEND

For the financial year ended 31 December 2007:

- Current quarter 31 Mar 2007: No dividend declared in the current quarter Mar 2007.
Current quarter 30 June 2007: No dividend declared in the current quarter June 2007.

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Current quarter 30 Sept 2007: The Board declared an interim dividend of five (5) sen less 26% income tax and a special interim dividend of five (5) sen less 26% income tax for the financial year ended 31 December 2007.

Current quarter 31 Dec 2007: No dividend declared in the current quarter Dec 2007. The final dividend for the financial year ended 31 December 2007 would be announced at a later date.

For the financial year ended 31 December 2006:

Current quarter 31 Mar 2006: No dividend declared in the current quarter Mar 2006.

Current quarter 30 June 2006: An interim dividend of five (5) sen less 28% income tax for the financial year ended 31 December 2006 had been declared.

Current quarter 30 Sept 2006: No dividend declared in the current quarter Sept 2006.

Current quarter 31 Dec 2006: A special dividend of five (5) sen less 27% income tax for the financial year ended 31 December 2006 had been declared.

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 ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holder of parent (RM'000)	26,714	7,851	77,734	38,906
Weighted average number of ordinary shares in issue ('000)	135,031	134,045	135,031	134,045
Basic EPS (sen)	19.78	5.86	57.57	29.02

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(b) **Diluted EPS**

For the purpose of calculating diluted EPS, the weighted average numbers 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 ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holder of parent (RM'000)	26,714	7,851	77,734	38,906
Weighted average number of ordinary shares in issue ('000)	135,031	134,045	135,031	134,045
Effect of dilution ('000)	-	136	-	124
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	135,031	134,181	135,031	134,169
Diluted EPS (sen)	19.78	5.85	57.57	29.00

29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 26 February 2008 by the Board of Directors in accordance with a resolution of the Directors.