

**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 2007. 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 2007.

**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 2007 except for the mandatory adoption of the following revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Interpretation") effective for the financial period beginning on 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 8	Scope of FRS 2

The adoption of all FRSs and IC Interpretations mentioned above does not have significant financial impact to the Group.

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

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

The audit report of the Group's financial statements for the financial year ended 31 December 2007 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 and financial year-to-date ended 31 March 2008.

**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 ended 31 March 2008.

**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 quarter and financial year-to-date ended 31 March 2008.

**8. DIVIDEND PAID**

Dividend paid was as follow:

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim dividend	9,996 <sup>1</sup>	4,922 <sup>2</sup>

**Note:**

1 An interim dividend of five (5) sen less 26% Malaysian Income Tax and a special interim dividend of five (5) sen less 26% Malaysian Income Tax for the financial year ended 31 December 2007 was paid on 7 January 2008.

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.

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

**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 2007.

**11. SUBSEQUENT MATERIAL EVENTS**

There were no subsequent material events at the date of this quarterly report and financial year to date ended 31 March 2008.

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

Apart from the disposal of the Company's subsidiary i.e. Gem Asia Sdn Bhd as mentioned in Note 20, there were no other changes in the composition of the Group during the current quarter and financial year-to-date ended 31 March 2008.

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

The Group does not have any contingent liabilities or contingent assets for the current quarter and financial year-to-date ended 31 March 2008.

**14. REVIEW OF PERFORMANCE**

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	147,613	74,975
Profit before taxation	48,522	13,198
Net profit for the period	38,345	10,245

Higher revenue and net profit for the current quarter 2008 as compared to the current quarter 2007 were due to:

- (a) Higher average crude palm oil price of RM3,077 for the current quarter 2008 as compared to RM1,895 for the corresponding current quarter 2007.
- (b) Higher FFB ("Fresh Fruit Bunches") production by 27,188 mt (50%) as compared to the corresponding current quarter 2007.

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

- (c) Higher contribution from the share of associated profits by RM7.12 million as compared to the corresponding current quarter 2007.
- (d) Higher contribution from other income mainly due to the gain on the disposal of the quoted investment amounting to RM2.37 million.

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

	<b>Current Quarter 31.3.2008 RM'000</b>	<b>Preceding Quarter 31.12.2007 RM'000</b>
Revenue	147,613	96,913
Profit before taxation	48,522	38,602
Net profit for the period	38,345	30,132

For the first current quarter ended 31 March 2008, the Group recorded higher revenue and net profit for the period as compared to the preceding fourth quarter 31 December 2007.

This was mainly due to:

- Higher CPO and Kernel prices during the current quarter ended 31 March 2008
- Higher contribution from the share of associated profits by RM2.29 million
- Higher contribution from other income mainly due to the gain on the disposal of the quoted investment amounting to RM2.37 million.

**16. CURRENT YEAR PROSPECTS**

The Group is expected to achieve favourable 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 2008 is as follows:

Approved but not contracted for:

	<b>As at 31.3.2008 (RM'000)</b>
Property, plant & equipment & other assets	5,243
Oil palm development	18,541
Acquisition of shares	2,000
Bio-diesel & glycerin project	20,000
<b>Total</b>	<b>45,784</b>

**FAR EAST HOLDINGS BERHAD (14809-W)**  
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**18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE**

Not applicable as there were no profit forecast nor profit guarantee published.

**19. TAXATION**

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Company tax	10,177	2,953

The Group effective tax rate for the current quarter was 26% and for the previous corresponding quarter was 27%.

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

On 25 April 2008, the Company announced the disposal of its subsidiary i.e. Gem-Asia Sdn Bhd ("GASB"). The sale consideration is RM6,000.00 (Ringgit Malaysia: Six Thousand) only for 435,000 unit shares of RM1 each. Upon the completion of the SPA, GASB would cease to be a wholly owned subsidiary of FEHB. The disposal is not expected to have any material impact on the earnings of FEHB for the financial year ended 31 December 2008. As to date, the SPA is yet to be completed.

**21. QUOTED SECURITIES**

There was no purchase of quoted securities for the current quarter and financial year-to-ended 31 March 2008. The disposal of the quoted securities for the current quarter and financial year-to-date ended 31 March 2008 was as follows:

	<b>As at 31.3.2008 RM'000</b>
Disposal of quoted securities at market value	14,954
Cost of investment of the quoted securities	12,580
Gain of disposal	2,374

**22. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals for the period under review.

**23. GROUP BORROWINGS AND DEBT SECURITIES**

The Group borrowings were as follows:

	<b>As at 31.3.2008 RM'000</b>
<b>Current</b>	
Hire purchase liabilities (secured)	426
<b>Non Current</b>	
Hire purchase liabilities (secured)	276

**24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

During the current quarter and financial year-to-date ended 31 March 2008 , 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 (“MUIP”) - vs -

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

The High Court of Malaya at Kuantan had on 21 June 2007 ordered that the action be stayed pursuant to Section 10 of the Arbitration Act 2005 and also ordered that the Kuala Lumpur Regional Centre for Arbitration to appoint an Arbitrator to conduct proceedings.

MUIP had filed their appeal to the Court of Appeal and had also referred the matter to the Kuala Lumpur Regional Centre for Arbitration.

Until to date, no date for the hearing of the appeal in the Court of Appeal nor any hearing in the Kuala Lumpur Regional Centre for Arbitration has been fixed.

**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 RM382,610 for the current quarter ended 31 March 2008.

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

**27. DIVIDEND**

No interim dividend was declared for the financial period ended 31 March 2008.

(31 March 2007: 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:

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to equity holder of parent (RM'000)	33,129	9,415
Weighted average number of ordinary shares in issue ('000)	135,089	134,873
<b>Basic EPS (sen)</b>	<b>24.52</b>	<b>6.98</b>

**(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.

	<b>3 months and year-to-date ended</b>	
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to equity holder of parent (RM'000)	33,129	9,415
Weighted average number of ordinary shares in issue ('000)	135,089	134,873
Effect of dilution ('000)	290	112
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	135,379	134,985
<b>Diluted EPS (sen)</b>	<b>24.47</b>	<b>6.97</b>

**FAR EAST HOLDINGS BERHAD (14809-W)**  
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**29. AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue on 22 May 2008 by the Board of Directors in accordance with a resolution of the directors.