

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.

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 30 June 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 30 June 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 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]
5.234	560	2,931
Total	560	2,931

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8. DIVIDEND PAID

Dividend paid was as follow:

	3 months ended		6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Interim dividend	-	-	9,996 ¹	4,922 ²
Final dividend	22,721	-	22,721 ³	-
Total dividend paid	22,721	-	32,717	4,922

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.
- 3 A final dividend of twelve and a half (12.5) sen per share less 26% Malaysian Income Tax and a special tax exempt dividend of seven and a half (7.5) sen for the financial year ended 31 December 2007 was paid on 4 July 2008.

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 30 June 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 30 June 2008.

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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 and financial year-to-date ended 30 June 2008.

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	142,400	77,435	290,013	152,410
Profit before taxation	61,180	22,912	109,702	36,110
Net profit for the period	51,373	17,226	89,718	27,471

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

- (a) Higher average crude palm oil price of RM3,119 per mt for the cumulative quarter 2008 as compared to RM1,992 for the corresponding cumulative quarter 2007.
- (b) Higher FFB (“Fresh Fruit Bunches”) production by 44,942 mt (39%) as compared to the corresponding cumulative current quarter 2007.
- (c) Higher contribution from the share of associated profits by RM28.26 million as compared to the corresponding cumulative current quarter 2007. Included in the share from associated profit for the current quarter ended 30 June 2008 is also the gain from the acquisition of PPOM (Prosper Palm Oil Mill Sdn Bhd) shares from Lembaga Kemajuan Perusahaan Pertanian Pahang amounting to RM15.16 million.
- (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

	Current Quarter 30.6.2008 RM'000	Preceding Quarter 31.3.2008 RM'000
Revenue	142,400	147,613
Profit before taxation	61,180	48,522
Net profit for the period	51,373	38,345

For the current quarter ended 30 June 2008, the Group recorded lower revenue as compared to the first quarter 31 March 2008. This is in line with the lower FFB production by 2,914 mt (4%).

Higher profit before taxation and net profit for the period for the current quarter 30 June 2008 was mainly due to the higher share of associated profits.

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 30 June 2008 is as follows:

	As at 30.6.2008 (RM'000)
Property, plant & equipment & other assets	6,013
Oil palm development	14,621
Acquisition of shares	2,000
Bio-diesel & glycerin project	20,000
	42,634

18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

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19. TAXATION

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Company tax	9,807	5,221	19,984	8,174
Under accrual in prior year	-	465	-	465
Total	9,807	5,686	19,984	8,639

The Group effective tax rate for the current cumulative quarter ended 30 June 2008 was 26%.

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”) which resulted in GASB no longer owned by FEHB. The sale consideration was RM6,000.00 (Ringgit Malaysia: Six Thousand) only for 435,000 unit shares of RM1 each. The transaction was completed on 6 May 2008.

21. QUOTED SECURITIES

There was no purchase of quoted securities for the current quarter and financial year-to-ended 30 June 2008. The disposal of the quoted securities for financial year-to-date ended 30 June 2008 was as follows:

	As at 30.6.2008 RM'000
Disposal of quoted securities at market value	14,954
Cost of investment of the quoted securities	12,580
Gain on disposal	2,374

22. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the period under review.

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23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 30.6.2008 RM'000	As at 30.6.2007 RM'000
Current		
Hire purchase liabilities (secured)	407	341
Non Current		
Hire purchase liabilities (secured)	221	197

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year-to-date ended 30 June 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 Kuala Lumpur Regional Centre For Arbitration (“KLRCA”) had appointed Haji Mohd Rasheed Khan bin Mohd Idris of Messrs Azmi and Associates as an Arbitrator for the case. On 1 August 2008, the Arbitrator had requested for the Preliminary Meeting between MUIP and FEHB.

On 7 August 2008, FEHB’s solicitor had written to KLRCA objecting to the commencement of the arbitration proceeding on the ground that MUIP had filed an appeal to the Court of Appeal against the judgement of the High Court for the above case.

As to date the appeal has not been heard and FEHB’s solicitor had suggested that the arbitration proceeding be stayed until the appeal be heard and determined or MUIP withdraw the said appeal.

As to date FEHB’s solicitors have not received any reply from KLRCA or the appointed Arbitrator.

26. STATUS ON THE JOINT VENTURE PROJECT

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

About 2,819 hectares had been planted and developed. The joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a loss of RM460,352 for the current cumulative quarter ended 30 June 2008.

The status on the joint venture project for the biodiesel and glycerine refinery - Future Prelude Sdn Bhd (“FPSB”).

FPSB had completed the biodiesel and glycerine refinery’s process selection and has finalised the engineering details of the plant. The civil and structure contract for the plant has been awarded by way of tender and negotiation. The site at Pulau Indah is ready for construction, pending the completion of the sales and purchase agreement for the land and schedule to commission the plant by April 2009. As to date FPSB had recorded a loss of RM578,301 for the current cumulative quarter ended 30 June 2008.

27. DIVIDEND

(i) Dividend for the financial period ending 30 June 2008:

The Board is recommending a single tier interim dividend of 10 sen per share which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, be declared in respect of the financial year ending 31 December 2008 and will be paid on 23 September 2008 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 September 2008 .

Dividend for the financial period ended 31 December 2007:

On 17 April 2008, the Company had announced recommendation for a final dividend of 12.5 sen less 26% Malaysian Income Tax and a special dividend of 7.5 sen tax exempt. The dividend was approved at Annual General Meeting on 4 June 2008 and payment date was on 4 July 2008.

(ii) Dividend for the financial period ending 30 June 2007:

No interim dividend was declared for the financial period ending 30 June 2007.

Dividend for the financial period ended 31 December 2006:

On 17 April 2007, the Company had announced recommendation for a final dividend of 7.0 sen less 27% Malaysian Income Tax and a special dividend of 3.0 sen tax exempt. The dividend was approved at Annual General Meeting on 20 June 2007 and payment date was on 27 July 2007.

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		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Profit attributable to equity holder of the parent (RM'000)	47,030	15,301	80,159	24,716
Weighted average number of ordinary shares in issue ('000)	135,123	134,916	135,123	134,916
Basic EPS (sen)	34.81	11.34	59.32	18.32

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(b) **Diluted EPS**

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

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Profit attributable to equity holder of the parent (RM'000)	47,030	15,301	80,159	24,716
Weighted average number of ordinary shares in issue ('000)	135,123	134,916	135,123	134,916
Effect of dilution ('000)	39	156	47	154
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	135,162	135,072	135,170	135,070
Diluted EPS (sen)	34.79	11.33	59.30	18.30

29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 21 August 2008 by the Board of Directors in accordance with a resolution of the directors.