

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 September 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 September 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 follows:

	3 months ended		9 months ended	
	30.9.2008 RM'000	30.9.2007 RM'000	30.9.2008 RM'000	30.9.2007 RM'000
Interim dividend			9,996 ¹	4,922 ⁵
Interim dividend	13,565 ²	-	13,565 ²	-
Final dividend	-	10,956 ⁶	22,721 ³	10,956 ⁶
Final dividend	781 ⁴	-	781 ⁴	
Total dividend paid	14,346	10,956	47,063	15,878

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 An interim dividend of ten (10) sen per share (single tier) for the financial year ended 31 December 2008 was paid on 23 September 2008.
- 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.
- 4 A final dividend was paid by Kilang Kosfarm Sdn Bhd and Wujud Wawasan Sdn Bhd of twenty (20) sen per share less 26% Malaysian Income Tax and ten (10) sen per share less 26% Malaysian Income Tax for the financial year ended 31 December 2007 respectively.
- 5 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.
- 6 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.

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 September 2008.

12. CHANGES IN THE COMPOSITION OF THE GROUP

Apart from the disposals 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 September 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 30 September 2008.

14. REVIEW OF PERFORMANCE

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	129,909	122,743	419,922	275,153
Profit before taxation	51,100	41,370	160,802	77,480
Net profit for the period	40,645	33,128	130,363	60,599

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 and kernel price of RM3,068 per mt and RM1,875 per mt respectively for the cumulative quarter 2008 as compared to RM2,085 per mt and RM1,333 per mt respectively for the corresponding cumulative quarter 2007.
- (b) Higher FFB (“Fresh Fruit Bunches”) production by 35,121 mt (16%) as compared to the corresponding cumulative current quarter 2007.
- (c) Higher contribution from the share of associated companies profits by RM32.05 million as compared to the corresponding cumulative current quarter 2007. Included in the current quarter ended 30 September 2008 is also the gain from the acquisition of

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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 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 30.9.2008 RM'000	Preceding Quarter 30.6.2008 RM'000
Revenue	129,909	142,400
Profit before taxation	51,100	61,180
Net profit for the period	40,645	51,373

For the current quarter ended 30 September 2008, the Group recorded lower revenue as compared to the second quarter 30 June 2008. This is in line with the lower crude palm oil and kernel prices for the current quarter 30 September 2008.

16. CURRENT YEAR PROSPECTS

The Group is expected to achieve favourable result given the expectation of higher crop production and contracted forward prices which is higher than the current CPO prices.

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 September 2008 is as follows:

	As at 30.9.2008 (RM'000)
Property, plant & equipment & other assets	4,215
Oil palm development	11,077
Acquisition of shares	2,000
	17,292

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		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Company tax	10,455	8,413	30,439	16,587
Under accrual in prior year	-	(171)	-	294
Total	10,455	8,242	30,439	16,881

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

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

On 25 April 2008, the Company had announced the disposal of its wholly owned subsidiary i.e. Gem-Asia Sdn Bhd. 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.

On 27 August 2008, Kilang Kosfarm Sdn Bhd (a 51% subsidiary of FEHB), had entered into a Sale and Purchase Agreement with Tasik Sentosa and Mergeboom for the disposal of its entire 30% shares equivalent to 10,500,000 unit of shares in Sendi Unik Sdn Bhd at RM1.82 each with a total consideration of RM19.11 million. Group gain on the disposal of Sendi Unik Sdn Bhd is RM3.60 million.

21. QUOTED SECURITIES

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

	As at
	30.9.2008
	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.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 30.9.2008 RM'000	As at 30.9.2007 RM'000
Current		
Hire purchase liabilities (secured)	405	469
Bank Overdraft	-	9,252
Non Current		
Hire purchase liabilities (secured)	197	366

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year-to-date ended 30 September 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. The pre-hearing meeting was held on 23 October 2008 of which the discussion on the fee structure of the Arbitrator, impact of appeal by Claimant to Court of Appeal and timelines for submissions were highlighted during the discussion.

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 RM461,950 for the current cumulative quarter ended 30 September 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 RM852,528 for the current cumulative quarter ended 30 September 2008.

27. STATUS ON THE SHAREHOLDING SPREAD

Bursa Malaysia had granted the Company an extension of time of three (3) months i.e. until 31 December 2008 to comply with the public shareholdings spread requirement pursuant to Paragraph 8.15(1) of the Listing Requirement.

28. DIVIDEND

(i) Current quarter 30 September 2008:

The Board is recommending a single tier special interim dividend of seven point five (7.5) sen, be declared in respect of the financial year ending 31 December 2008 and will be paid on 16 January 2009 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 26 December 2008.

Dividend for the financial period ending 30 June 2008:

On 21 August 2008, the Company had announced 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, for the financial year ending 31 December 2008 and paid on 23 September 2008.

Dividend for the financial year 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) Current quarter 30 September 2007:

The Board had recommended 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. The payment date was on the 17 January 2008.

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 year 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.

29. 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		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Profit attributable to equity holder of the parent (RM'000)	37,286	26,304	117,445	51,020
Weighted average number of ordinary shares in issue ('000)	135,263	134,974	135,263	134,974
Basic EPS (sen)	27.57	19.49	86.83	37.80

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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		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Profit attributable to equity holder of the parent (RM'000)	37,286	26,304	117,445	51,020
Weighted average number of ordinary shares in issue ('000)	135,263	134,974	135,263	134,974
Effect of dilution ('000)	42	-	46	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	135,305	134,974	135,309	134,974
Diluted EPS (sen)	27.56	19.49	86.80	37.80

30. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 25 November 2008 by the Board of Directors in accordance with a resolution of the Directors.