

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 2008. 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 2008.

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 2008 except for the following Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Interpretation") which were issued but not yet effective and have not been applied by the Group:

FRS 4	Insurance Contract
FRS 7	Financial Instruments Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 8	Scope of FRS 2

The adoption of all FRSs and IC Interpretations upon their effective dates is not expected to have any 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 2008 was not qualified.

4. SEASONALITY OR CYCLICALITY

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

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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 cumulative quarter ended 30 June 2009.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have a material effect in the cumulative quarter ended 30 June 2009.

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	580	3,036
Total	580	3,036

8. DIVIDEND PAID

Dividend paid was as follows:

	3 months ended		6 months ended	
	30.6.2009 RM'000	30.6.2008 RM'000	30.6.2009 RM'000	30.6.2008 RM'000
Special interim dividend	-	-	10,174 ¹	-
Interim dividend	-	-	-	9,996 ³
Final dividend	20,434 ²	22,721 ⁴	20,434 ²	22,721 ⁴
Total dividend paid	20,434	22,721	30,608	32,717

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Note:

- 1 A special dividend of seven and a half (7.5) sen per share (single tier) for the financial year ended 31 December 2008 was accrued in the accounts for the financial year ended 31 December 2008 and the dividend was paid on 16 January 2009.
- 2 A final dividend of fifteen (15) sen per share (single tier) for the financial year ended 31 December 2008 was paid on 11 June 2009.
- 3 An interim dividend of five (5) sen per share less 26% tax and a special interim dividend of five (5) sen per share less 26% tax was accrued in the accounts for the financial year ended 31 December 2007 and was paid on 17 January 2008.
- 4 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 has been brought forward without amendments from the financial statements for the year ended 31 December 2008.

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 2009.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current quarter and financial year-to-date ended 30 June 2009.

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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 2009.

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	RM'000	RM'000	RM'000	RM'000
Revenue	85,837	142,400	159,954	290,013
Profit before taxation	19,411	61,180	39,181	109,702
Net profit for the period	15,491	51,373	31,155	89,718

Lower revenue and net profit for the cumulative quarter 2009 as compared to the cumulative quarter 2008 were due to:

- (a) Lower average crude palm oil price and kernel price of RM2,197 per mt and RM1,029 per mt respectively for the cumulative quarter 2009 as compared to RM3,119 per mt and RM2,015 per mt respectively for the corresponding cumulative quarter 2008.
- (b) Lower FFB (“Fresh Fruit Bunches”) production by 23,676 mt (15%) as compared to the corresponding cumulative current quarter 2008. This is due partly to lower crop production as a result of replanting program undertaken by the Company. The decrease in crop production is in tandem with the industry’s performance for the period.
- (c) Lower contribution from the share of associated companies’ profits by RM25.29 million as compared to the corresponding cumulative current quarter 2008.

15. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	Current Quarter	Preceding Quarter
	30.6.2009	31.3.2009
	RM'000	RM'000
Revenue	85,837	74,117
Profit before taxation	19,411	19,770
Net profit for the period	15,491	15,664

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For the current quarter ended 30 June 2009, the Group recorded higher revenue as compared to the last quarter 31 March 2009. This is in line with the higher crude palm oil and kernel prices for the current quarter ended 30 June 2009.

16. CURRENT YEAR PROSPECTS

The results of the Group for financial year 2009 is expected to remain satisfactory but lower than that of financial year 2008 due to lower crude palm oil and palm kernel 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 are as follows:

	As at 30.6.2009 (RM'000)	As at 30.6.2008 (RM'000)
Property, plant and equipment	14,433	6,013
Oil palm development	15,060	14,621
Acquisition of shares	4,200	2,000
Biodiesel and glycerin project	-	20,000
Total	33,693	42,634

18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

19. TAXATION

	3 months ended		6 months ended	
	30.6.2009 RM'000	30.6.2008 RM'000	30.6.2009 RM'000	30.6.2008 RM'000
Company tax	3,920	9,807	8,026	19,984
Under accrual in prior year	-	-	-	-
Total	3,920	9,807	8,026	19,984

The Group effective tax rate for the cumulative quarter ended 30 June 2009 was 25% and 26% for the corresponding cumulative quarter ended 30 June 2008.

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20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties for the current quarter and financial year-to-ended 30 June 2009.

21. QUOTED SECURITIES

There was no sale and purchase of quoted securities for the current quarter and financial year-to-ended 30 June 2009 other than through the fund manager appointed.

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 30.6.2009 RM'000	As at 30.6.2008 RM'000
Current		
Hire purchase liabilities (secured)	138	407
Non Current		
Hire purchase liabilities (secured)	179	221

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year-to-date ended 30 June 2009, 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 Arbitration Proceedings has been postponed to 2 October 2009.

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.

The total planted area was 2,819 hectares and as at 30 June 2009 a total of 331 hectares the areas had been declared mature. The joint venture company i.e. Far East Delima Plantations Sdn Bhd had recorded a profit before tax of RM348,034 for the current cumulative quarter ended 30 June 2009.

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

The plant, which is located in Pulau Indah, Klang would be operating with a capacity of 200,000 tonne per year of pre treatment CPO, 100,000 tonne per year of palm methyl ester and 20,000 tonne per year of refined glycerine. The plant is under construction and is scheduled for commissioning by November 2009. As to date FPSB had recorded a loss of RM540,644 for the current cumulative quarter ended 30 June 2009.

27. STATUS ON THE SHAREHOLDING SPREAD

The public shareholdings spread as at 30 June 2009 was 29.63% and the Company had complied with the 25% public shareholding spread as per Bursa Malaysia Listing Requirements.

28. DIVIDEND

(i) Current quarter for the financial period ending 30 June 2009

Dividend for the financial period ending 30 June 2009:

The Board is recommending a single tier interim dividend of 7.5 sen per share for the financial period ending 30 June 2009. The entitlement date and the payment date would be announced at a later date.

Dividend for the financial period ending 31 December 2008:

On 3 April 2009, the Company had announced recommendation for a final dividend of 15 sen (single tier) and the dividend was approved at Annual General Meeting on 27 May 2009 and payment date was on 11 June 2009.

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(ii) Current quarter for the financial period ending 30 June 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 period ending 30 June 2008 and was 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.

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		6 months ended	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
Profit attributable to equity holder of the parent (RM'000)	14,414	47,030	28,690	80,159
Weighted average number of ordinary shares in issue ('000)	135,704	135,123	135,704	135,123
Basic EPS (sen)	10.62	34.81	21.14	59.32

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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	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
Profit attributable to equity holder of the parent (RM'000)	14,414	47,030	28,690	80,159
Weighted average number of ordinary shares in issue ('000)	135,704	135,123	135,704	135,123
Effect of dilution ('000)	-	39	-	47
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	135,704	135,162	135,704	135,170
Diluted EPS (sen)	10.62	34.79	21.14	59.30

30. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 19 August 2009 by the Board of Directors in accordance with a resolution of the Directors.