

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

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's financial statement for the year ended 31 December 2009. 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 year ended 31 December 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010.

On 1 January 2010, the Group adopted the following FRSs:-

FRSs, Amendments to FRS and Interpretations

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share - based Payment - Vesting Conditions and Cancellations

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosures of Government Assistance
Amendment to FRS 123	Borrowings Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interest in Joint Ventures
Amendment to FRS 132	Financial Instruments : Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Report and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Other than for the application of FRS 8, FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any changes in the accounting policies and presentation of the financial results of the Group.

(a) FRS 101: Presentation of Financial Statements (FRS 101)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statements of changes in equity only includes details of transaction with owners. All non-owners changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

(b) FRS 139 : Financial Instruments - Recognition and Measurement (FRS 139)

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial assets include cash and short-term deposits, loans and receivables, held to maturity investments and FIFVPL investment.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

(ii) Held to maturity investments

Prior to 1 January 2010, unquoted structured investments and redeemable cumulative preference shares were stated at cost. Under FRS 139, the investments are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. The classification as held to maturity is optional and can only apply to instrument with maturity dates.

(iii) Financial Instruments at Fair Value through Profit or Loss (FIFVPL)

Prior to 1 January 2010, FIFVPL financial asset such as portfolio investment was stated at cost. Under FRS 139, FIFVPL financial asset is initially measured at fair value at each reporting date and subsequently with unrealised gain or loss recognised in the income statement.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables and are carried at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Impact on opening balances

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparative as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances as at 1 January 2010 in the consolidated statement of financial position. The effect of changes in the statement of financial position is as follows:

	Previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Non current assets			
Investments			
- Unquoted structured investments	2,000	(2,000)	-
- Portfolio investment	8,000	(8,000)	-
- Redeemable Cumulative Preference Shares	34,200	(34,200)	-
- Unconsolidated subsidiary	1,129	(1,129)	-
Held to maturity investments			
- Unquoted structured investments	-	2,000	2,000
- Redeemable Cumulative Preference Shares	-	29,573	29,573
FIFVPL Investment	-	11,143	11,143
Current assets			
Short term investment	10,137	(10,137)	-
Short term held to maturity investment	-	10,137	10,137
Amount due to unconsolidated subsidiary	933	(933)	-
Capital and reserves attributable to equity holders of the Company			
Retained earnings	351,975	(1,680)	350,295

The adoption of FRS 139 does not have any significant impact on the profit for the financial year-to-date.

3. DISCLOSURE ON QUALIFICATION ON AUDIT REPORT

The audit report of the Group's financial statements for the financial year ended 31 December 2009 was not qualified.

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

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual 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 cumulative quarter ended 30 June 2010 except for the effects arising from the adoption of FRS 139 as disclosed in Note 2.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have any material effect in the cumulative quarter ended 30 June 2010.

7. ISSUANCE, CANCELLATIONS, REPURCHASES, RE SALE AND REPAYMENTS OR DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the cumulative quarter ended 30 June 2010 except for the issuance 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	180	942
Total	180	942

8. DIVIDEND PAID

Dividend paid is as follow:

	3 months and year-to-date ended		6 months and year-to-date ended	
	30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
Special interim dividend	-	-	-	10,174 ¹
Final dividend	20,461 ³	20,434 ²	20,461 ³	20,434 ²
Total dividend paid	20,461	20,434	20,461	30,608

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

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 A final dividend of fifteen (15) sen per share (single tier) for the financial year ended 31 December 2009 was paid on 30 June 2010.

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 2009.

11. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events at the date of this cumulative quarter ended 30 June 2010.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the cumulative quarter ended 30 June 2010.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent liabilities or contingent assets for cumulative quarter ended 30 June 2010.

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

14. REVIEW OF PERFORMANCE

	3 months ended		6 months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RM'000	RM'000	RM'000	RM'000
Revenue	84,398	85,837	177,199	159,954
Profit before taxation	20,822	19,411	44,658	39,181
Net profit for the period	17,149	15,491	36,803	31,155

Higher revenue and net profit for the cumulative quarter 2010 as compared to the cumulative quarter 2009 were due to:

- (a) Higher average crude palm oil price and kernel price of RM2,507 per mt and RM1,486 per mt respectively for the cumulative quarter 2010 as compared to RM2,197 per mt and RM1,029 per mt respectively for the corresponding cumulative quarter 2009.
- (b) Higher share of profits from associated companies by RM6.16 million.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter	Preceding Quarter
	30.6.2010	31.3.2010
	RM'000	RM'000
Revenue	84,398	92,801
Profit before taxation	20,822	23,836
Net profit for the period	17,149	19,654

For the current quarter ended 30 June 2010, the Group recorded lower net profit for the period as compared to the last quarter ended 31 March 2010. This is due to the lower of share of profits from associated companies for the current quarter ended 30 June 2010.

16. CURRENT YEAR PROSPECTS

The Group is expected to achieve favorable result in view of the sustainable of crude palm oil price.

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

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 30.6.2010 (RM'000)	As at 30.6.2009 (RM'000)
Property, plant and equipment	12,457	14,433
Oil palm development	5,053	15,060
Acquisition of shares	-	4,200
Acquisition of land	30,000	-
Total	47,510	33,693

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	
	30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
Company tax	3,673	3,920	7,855	8,026

The Group effective tax rate for the cumulative quarter ended 30 June 2010 and 30 June 2009 was 25%.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties for the current quarter under review.

21. QUOTED SECURITIES

There was no sale of quoted securities other than through the fund manager appointed.

22. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals for the period under review.

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

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 30.6.2010 RM'000	As at 30.6.2009 RM'000
Current		
Hire purchase liabilities (secured)	77	138
Non Current		
Hire purchase liabilities (secured)	28	179

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and cumulative quarter ended 30 June 2010, the Group did not enter into any contracts involving off balance sheet instruments.

25. STATUS OF THE MATERIAL LITIGATIONS

**In the matter of an Arbitration between
Majlis Ugama Islam Dan Adat Resam Melayu Pahang – Claimant
And
Far East Holdings Berhad & Anor – Respondent**

The Arbitration proceeding that was scheduled on the 22 to 24 June 2010 has been postponed to 28, 29 and 30 September 2010.

26. STATUS ON THE JOINT VENTURE PROJECT

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

Joint Venture Company: Far East Delima Plantations Sdn Bhd (“FEDP”)

The total planted area was 2,860 hectares and as at 30 June 2009 a total of 1,370 hectares of the areas had been declared mature. FEDP had recorded a loss of RM52,546 for the current cumulative quarter ended 30 June 2010.

Joint Venture Company: Radiant Apex Sdn Bhd

FEHB had on 25 May 2010 entered into a MOU with RDSB for the development of 5,300 acres of oil palm plantation land.

The joint venture company shall be operated under the name of Radiant Apex Sdn Bhd. Currently, the Company is in the process of clearing the area. For a start, 3,500 acres had been earmarked for land clearance.

(ii) 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 glycerin. As to date FPSB had recorded a loss of RM1,434,798 for the current cumulative quarter ended 30 June 2010.

27. DIVIDEND

(i) Current quarter for the financial period ending 30 June 2010

Dividend for the financial period ending 31 December 2009:

On 29 April 2010, the Company had announced recommendation for a final dividend of 15 sen (single tier) for the financial year ended 31 December 2009 and the dividend was approved at Annual General Meeting on 11 June 2010 and payment date was on 30 June 2010.

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

Dividend for the financial period ending 30 June 2009:

On 19 August 2009, the Company had announced a single tier interim dividend of 7.5 sen per share for the financial period ending 30 June 2009 and the payment date was on 4 November 2009.

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.

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

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	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
Profit attributable to equity holder of the parent (RM'000)	16,287	14,414	34,630	28,690
Weighted average number of ordinary shares in issue ('000)	136,241	135,704	136,241	135,704
Basic EPS (sen)	11.96	10.62	25.42	21.14

(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	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
Profit attributable to equity holder of the parent (RM'000)	16,287	14,414	34,630	28,690
Weighted average number of ordinary shares in issue ('000)	136,241	135,704	136,241	135,704
Effect of dilution ('000)	43	-	43	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	136,284	135,704	136,284	135,704
Diluted EPS (sen)	11.95	10.62	25.41	21.14

29. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 25 August 2010 by the Board of Directors in accordance with a resolution of the Directors.