

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, other than financial instruments as disclosed in Note 2.2 (b).

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 statements 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 IC Interpretations with effect from 1 January 2010.

2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Amendment to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

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

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

2.2 Application of FRSs

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (Cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (Cont'd.)

(b) FRS 139: Financial Instruments - Recognition and Measurement (FRS 139) (Cont'd.)

(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.)

2.2 Application of FRSs (Cont'd.)

(b) FRS 139: Financial Instruments - Recognition and Measurement (FRS 139) (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 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			
FIFVPL Investment	8,000	3,143	11,143
Held to maturity investments	36,200	(6,049)	30,151
Unconsolidated subsidiary	1,129	(1,129)	-
Current liability			
Amount due to unconsolidated subsidiary	933	(933)	-
Capital and reserves attributable to owners of the parent			
Retained earnings	351,975	(755)	351,220
Non-controlling interests	58,486	837	59,323

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

2.2 Application of FRSs (Cont'd.)

(b) FRS 139: Financial Instruments - Recognition and Measurement (FRS 139) (Cont'd.)

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

2.3 FRSs, Amendments to FRSs and Interpretations issued but not yet effective

At the date of authorisation of these interim financial statements, the following FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs, Amendments to FRSs and Interpretations		Effective for financial period beginning on or after
FRS 1 (revised)	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 124	Related Party Transactions	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendment to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendment to FRS 2	Group Cash-settled Shared-based Payment Transactions	1 January 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

**2.3 FRSs, Amendments to FRSs and Interpretations issued but not yet effective
(Cont'd.)**

FRSs, Amendments to FRSs and Interpretations		Effective for financial period beginning on or after
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2010
Amendment to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139	Improvements to FRSs (2010)	1 January 2011
Amendment to FRS 138	Intangible Assets	1 July 2010
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 14	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfer of Assets from Customers	1 January 2011
TR – 3	Guidance on Disclosure on Transition to IFRSs	31 December 2010

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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.

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 financial year ended 31 December 2010 except for the effects arising from the adoption of FRS 139 as disclosed in Note 2 and revaluation of palm oil plantations and leasehold land for the Group.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have any material effect in the current quarter and financial year ended 31 December 2010.

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 financial year ended 31 December 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	280	1,465
Total	280	1,465

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8. DIVIDEND PAID

Dividend paid is as follow:

	3 months and year-to-date ended		12 months and year-to-date ended	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Interim dividend	-	-	-	10,217 ¹
Final dividend	-	-	20,462 ³	20,434 ²
Total dividend paid	-	-	20,462	30,651

Note:

- 1 An interim dividend of seven and a half (7.5) sen per share (single tier) for the financial year ended 31 December 2009 was paid on 4 November 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

On 31 December 2010, the Group had revalued the palm oil plantations and leasehold land to the open market value using the comparison method, by independent professional valuer.

11. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events at the date of this current quarter and financial year ended 31 December 2010.

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 ended 31 December 2010.

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13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent liabilities or contingent assets for current quarter and financial year ended 31 December 2010.

14. REVIEW OF PERFORMANCE

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Unaudited	As restated	Unaudited	As restated
	RM'000	and unaudited	RM'000	and unaudited
		RM'000		RM'000
Revenue	145,152	108,960	436,016	351,974
Profit before taxation	24,205	28,509	113,510	95,753
Net profit for the period	19,609	24,476	92,637	77,109

Higher revenue, profit before tax and net profit for the year 2010 as compared to the to the year 2009 were due to:

- (a) Higher average crude palm oil price and kernel price of RM2,538 per mt and RM1,775 per mt respectively for the year 2010 as compared to RM2,223 per mt and RM1,071 per mt respectively for the year 2009.
- (b) Higher contribution from the share of profits from associated companies by RM5.53 million.
- (c) Higher operating income by RM5.52 million, mainly due to gain on disposal of land amounting of RM2.78 million.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter	Preceding
	31.12.2010	Quarter
	RM'000	30.9.2010
		RM'000
Revenue	145,152	113,665
Profit before taxation	24,205	44,647
Net profit for the period	19,609	36,225

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15. COMPARISON WITH PRECEDING QUARTER'S RESULTS (Cont'd.)

For the current quarter ended 31 December 2010, the Group posted a net profit of RM19.61 million and profit before taxation of RM24.21 million which were lower as compared to the preceding quarter 30 September 2010.

16. CURRENT YEAR PROSPECTS

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

17. CAPITAL COMMITMENTS

The amount of capital commitments not provided for in the financial statements are as follows:

	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
Property, plant and equipment	9,597	13,027
Oil palm development	17,684	9,674
Acquisition of land	70,000	30,000
Total	97,281	52,701

18. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

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

19. TAXATION

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	As restated		As restated	
	Unaudited RM'000	and unaudited RM'000	Unaudited RM'000	and unaudited RM'000
Current year tax	2,986	2,299	19,263	16,910
Under/(Over) provision in prior year	(49)	400	(49)	400
Deferred tax	1,659	1,334	1,659	1,334
Total	4,596	4,033	20,873	18,644

The Group effective tax rate for the cumulative quarter ended 31 December 2010 and 31 December 2009 was 25%.

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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 ended 31 December 2010 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.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings were as follows:

	As at 31.12.2010	As at 31.12.2009
	Unaudited RM'000	As restated and unaudited RM'000
Current		
Hire purchase liabilities (secured)	33	134
Non Current		
Hire purchase liabilities (secured)	-	28

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter and financial year ended 31 December 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 Proceedings is re-scheduled for full trial on the 16, 17 and 18 March 2011 at the Kuala Lumpur Regional Centre for Arbitration.

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 31 December 2010 a total of 2,467 hectares of the areas had been declared mature. FEDP had recorded a loss of RM1.13 million for the year ended 31 December 2010.

Joint Venture Company: F.E. Rangkaian Sdn Bhd (formerly known as Radiant Apex Sdn Bhd)

The land development has not started yet.

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

As at to date FPSB had recorded a loss of RM6.62 million for the financial year ended 31 December 2010.

27. DIVIDEND

- (i) **Current quarter for the financial period ending 31 December 2010**

The final dividend for the financial year ended 31 December 2010 would be announced at a later date.

On 26 November 2010, the Company had announced for an interim dividend of ten (10) sen (single tier), in respect of the financial year ended 31 December 2010 and had been paid on 21 January 2011 to the shareholders whose names appear in the Record of Depositors of the Company on 7 January 2011.

27. DIVIDEND (Cont'd.)

(i) Current quarter for the financial period ending 31 December 2010
(Cont'd.)

Dividend for the financial year ended 31 December 2009

On 29 April 2010, the Company had announced recommendation for a final dividend of fifteen (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 31 December 2009

The recommendation for the final dividend for the year ended 31 December 2009 was announced on 29 April 2010.

On 19 August 2009, the Company had announced a single tier interim dividend of 7.5 sen per share for the financial year ended 31 December 2009 and the payment date was on 4 November 2009.

Dividend for the financial year ended 31 December 2008

On 3 April 2009, the Company had announced recommendation for a final dividend of 15 sen (single tier) for the financial year ended 31 December 2008 and the dividend was approved at Annual General Meeting on 27 May 2009 and payment date was on 11 June 2009.

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		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Unaudited	As restated and unaudited	Unaudited	As restated and unaudited
Profit attributable to equity holder of the parent (RM'000)	13,972	19,585	82,438	68,017
Weighted average number of ordinary shares in issue ('000)	136,346	135,996	136,346	135,996
Basic EPS (sen)	10.25	14.40	60.46	50.01

(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		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Unaudited	As restated and unaudited	Unaudited	As restated and unaudited
Profit attributable to equity holder of the parent (RM'000)	13,972	19,585	82,438	68,017
Weighted average number of ordinary shares in issue ('000)	136,346	135,996	136,346	135,996
Effect of dilution ('000)	25	-	22	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	136,371	135,996	136,368	135,996
Diluted EPS (sen)	10.25	14.40	60.45	50.01

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29. RETAINED EARNINGS

	As at 31.12.2010 Unaudited RM'000
Realised	401,117
Unrealised	12,079
Total Group Retained Earnings	413,196

30. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue on 25 February 2011 by the Board of Directors in accordance with a resolution of the Directors.