

**FAR EAST HOLDINGS BERHAD [14809-W]**  
**Interim report for the financial period ended 30 June 2004**

[The figures have not been audited]

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	As at 30-Jun-04 RM'000	As at 31-Dec-03 RM'000
<b>Non Current Assets</b>		
Property, plant and equipment	305,670	265,940
Associates	50,695	46,491
Unquoted investments - at cost	2,299	2,299
Breeding stocks	821	760
	<b>359,485</b>	<b>315,490</b>
<b>Current Assets</b>		
Inventories	807	1,124
Receivables, deposits and prepayments	16,019	77,513
Tax recoverables	1,845	1,845
Deposits, bank and cash balances	65,231	34,134
	<b>83,902</b>	<b>114,616</b>
<b>Less: Current Liabilities</b>		
Payables	4,678	5,846
Current tax liabilities	2,344	37
Borrowings (interest bearing)	1,020	11,020
	<b>8,042</b>	<b>16,903</b>
<b>Net Current Assets</b>	<b>75,860</b>	<b>97,713</b>
<b>Less: Non Current Liabilities</b>		
Deferred tax liabilities	48,438	45,751
Borrowings (interest bearing)	835	1,345
	<b>49,273</b>	<b>47,096</b>
	<b>386,072</b>	<b>366,107</b>
<b>Capital and Reserves</b>		
Share Capital	64,464	64,190
Share premium	6,109	5,824
Capital Reserve	203	142
Reserves on consolidation	6	6
Revaluation Reserve	96,185	96,185
Retained Earnings	191,358	173,495
Shareholders' Equity	<b>358,325</b>	<b>339,842</b>
Minority Interest	27,747	26,265
	<b>386,072</b>	<b>366,107</b>

**Note : The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003.**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER [Q2]		CUMULATIVE QUARTER [6 Mths]	
	CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
	YEAR	CORRESPONDING	YEAR	CORRESPONDING
	QUARTER	QUARTER	TO DATE	PERIOD
	30-Jun-04	30-Jun-03	30-Jun-04	30-Jun-03
	RM'000	RM'000	RM'000	RM'000
Revenue	20,233	16,387	37,680	28,667
Other operating income	124	252	269	286
Profit from operations	9,562	6,632	20,852	12,714
Finance income	4,828	54	4,884	85
Finance interest	(40)	(61)	(167)	(150)
Share of result of associated companies	5,215	337	5,839	323
Profit before taxation	19,565	6,962	31,408	12,972
Taxation	(7,972)	(2,144)	(9,159)	(3,784)
Profit after taxation	11,593	4,818	22,249	9,188
Minority interest	(398)	(468)	(1,482)	(1,058)
<b>Net profit attributable to shareholders</b>	<b>11,195</b>	<b>4,350</b>	<b>20,767</b>	<b>8,130</b>
<b>Earnings per share (sen)</b>				
Basic	17.43	6.92	32.33	12.93
Diluted	17.23	6.83	31.98	12.76

**Note :** The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For The Period Ended 30 June 2004**

	Issued and fully paid ordinary shares of RM1 each		Non -distributable				Distributable	Total RM'000
	Number of shares '000 units	Nominal value RM'000	Share premium RM'000	Capital reserves RM'000	Reserves on consolidation RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
<b>As at 1 January 2003 :</b>								
- as previously reported	62,619	62,619	4,190	304	6	124,485	162,828	354,432
- change in accounting policy	-	-	-	-	-	(28,300)	(9,338)	(37,638)
- as restated	<b>62,619</b>	<b>62,619</b>	<b>4,190</b>	<b>304</b>	<b>6</b>	<b>96,185</b>	<b>153,490</b>	<b>316,794</b>
Net loss not recognised in the income statement	-	-	-	(162)	-	-	-	(162)
Issue of shares- share options	1,571	1,571	1,634	-	-	-	-	3,205
Net profit for the year	-	-	-	-	-	-	31,259	31,259
Dividend paid for the year ended:								
- 31 December 2002	-	-	-	-	-	-	(8,950)	(8,950)
- 31 December 2003	-	-	-	-	-	-	(2,304)	(2,304)
<b>As at 31 December 2003</b>	<b>64,190</b>	<b>64,190</b>	<b>5,824</b>	<b>142</b>	<b>6</b>	<b>96,185</b>	<b>173,495</b>	<b>339,842</b>
<b>As at 1 January 2004 :</b>								
- as previously reported	64,190	64,190	5,824	142	6	96,185	173,495	339,842
- prior year adjustment	-	-	-	-	-	-	-	0
- as restated	<b>64,190</b>	<b>64,190</b>	<b>5,824</b>	<b>142</b>	<b>6</b>	<b>96,185</b>	<b>173,495</b>	<b>339,842</b>
Net profit not recognised in the income statement	-	-	-	61	-	-	-	61
Issue of shares- share options	274	274	285	-	-	-	-	559
Net profit for the year	-	-	-	-	-	-	20,767	20,767
Dividend paid for the year ended:								
- 31 December 2003	-	-	-	-	-	-	(2,904)	(2,904)
- 31 December 2004	-	-	-	-	-	-	-	0
<b>As at 30 June 2004</b>	<b>64,464</b>	<b>64,464</b>	<b>6,109</b>	<b>203</b>	<b>6</b>	<b>96,185</b>	<b>191,358</b>	<b>358,325</b>

**Note : The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>3 Months Ended 30-Jun-04 RM'000</b>	<b>3 Months Ended 30-Jun-03 RM'000</b>
Net cash inflow from operating activities	82,844	11,946
Net cash outflow from investing activities	(41,796)	(1,416)
Net cash outflow from financing activities	(9,951)	(5,111)
Net increase in cash and cash equivalents	<u><b>31,097</b></u>	<u><b>5,419</b></u>
Cash and cash equivalent at start of year	34,134	15,174
Cash and cash equivalent at end of year	<u><b>65,231</b></u>	<u><b>20,593</b></u>
 <b>Cash and cash equivalent comprise :</b>		
Cash bank balances and deposits	65,231	20,593
Bank overdrafts	-	-
	<u><b>65,231</b></u>	<u><b>20,593</b></u>

**Note : The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003.**

## PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

### MASB 26

#### A1. BASIS OF PREPARATION

This unaudited quarterly report is prepared in accordance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s financial statement for the year ended 31 December 2003.

The quarterly financial statements have been prepared using the same accounting policies and methods of computation as compared with the most recent annual audited accounts for the financial year ended 31 December 2003.

#### A2. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

The audit report of the Group’s financial statements for the financial year ended 31 December 2003 was not qualified.

#### A3. SEASONALITY OR CYCLICALITY

The profitability of the business operations of the Group is driven to a large extent by CPO (Crude Palm Oil) prices. CPO prices are governed by the forces of world supply and demand for the commodity. Determinants of supply and demand such as abnormal weather patterns, changes in import/export policies of major producing and importing countries, trade sanctions imposed, threat from major substitute oils are not always predictable.

Higher revenue for the cumulative quarter of 2004 as compared to the cumulative preceding year quarter of 2003 is due to:

- (i) Higher average CPO price of RM1,843 for the cumulative quarter of 2004 as compared to average price of RM1,522 in the cumulative preceding year quarter of 2003.
- (ii) Higher FFB [“Fresh Fruit Bunches”] production by 3%[3,566 mt] as compared to the preceding year quarter of 2003.

A4. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current quarter under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have a material effect in the current quarter.

A6. 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]
2.04	274	559

A7. DIVIDEND PAID

	Current Year Quarter 30.6.2004 RM'000	Preceding Year Quarter 30.6.2003 RM'000
<u>Far East Holdings Berhad</u>		
<u>Ordinary:</u>		
Interim dividend paid	-	2,254 <sup>1</sup>
<u>Subsidiary:</u>		
Kg Aur Oil Palm Company (Sdn.) Berhad		
Final dividend paid	2,904 <sup>2</sup>	1,210 <sup>3</sup>

Notes:

- 1 The interim dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2002 was paid on 24 January 2003.

- 2 A final dividend of fifty(50) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2003 was declared by the subsidiary of Far East Holdings Berhad and was paid on 19 May 2004.
- 3 A final tax exempt dividend of fifteen(15) sen for the financial year ended 31 December 2002 was declared by the subsidiary of Far East Holdings Berhad and was paid on 9 June 2003.

A8. SEGMENTAL REPORTING

No segmental reporting has been prepared as the group activities are predominantly in plantation activity, which is mainly carried out in Malaysia.

A9. PROPERTY PLANT AND EQUIPMENT

Subsequent to the financial year ended 31 December 2003, there were no changes to the valuation of property, plant and equipment.

A10. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events at the date of this quarterly report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent liabilities or contingent assets for the current quarter under review.

PART B – EXPLANATORY NOTES OF BURSA MALAYSIA SECURITIES BERHAD  
REVISED LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30.6.2004 RM'000	Preceding Year Quarter 30.6.2003 RM'000	Current Year To Date 30.6.2004 RM'000	Preceding Year To Date 30.6.2003 RM'000
Revenue	20,233	16,387	37,680	28,667
Consolidated Profit before taxation	19,565	6,962	31,408	12,972
Consolidated Profit after taxation	11,593	4,818	22,249	9,188
Consolidated Profit after taxation and minority interest	11,195	4,350	20,767	8,130

Higher revenue and profit before tax for the cumulative quarter 2004 as compared to the cumulative preceding year quarter 2003 was mainly due to higher palm oil prices and higher FFB production.

Increase in the Group's profit before tax for the cumulative quarter 2004 by RM18.44 million as compared to cumulative quarter 2003 were due to:

- [i] Higher crude palm oil and palm kernel prices
- [ii] Additional interest income of RM4.45 million recognized pursuant to the completion of the settlement of debts between Far East Holdings Berhad and Perbadanan Kemajuan Negeri Pahang.
- [iii] Higher share of profits from the associated companies by RM5.52 million as compared to the cumulative quarter 2003.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 30.6.2004 RM'000	Current Quarter 31.3.2004 RM'000
Revenue	20,233	17,447
Consolidated Profit before taxation	19,565	11,843
Consolidated Profit after taxation	11,593	10,656
Consolidated Profit after taxation and minority interest	11,195	9,572



For the second quarter ended 30 June 2004, the Group recorded a profit before tax of RM19.56 million and a profit after tax and minority interest of RM11.19 million as compared to RM11.84 million and RM9.57 million in the preceding quarter respectively. Higher profit in the current quarter as compared to the preceding quarter is due to the:

- [i] Higher FFB production by 20% [9,775 mt]
- [ii] Additional interest income of RM4.45 million recognised pursuant to the completion of the proposed settlement of debts between Far East Holdings Berhad and Perbadanan Kemajuan Negeri Pahang.
- [iii] Higher share of profits from the associated companies by RM4.59 million as compared to the preceding quarter.

### B3. CURRENT YEAR PROSPECTS

The Group is expected to achieve favorable result than last year given the expectation that CPO price would remain strong.

### B4. VARIANCE FROM PROFIT FORECAST/PROFIT GUARANTEE

Not applicable as there were no profit forecast and profit guarantee published.

### B5. TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30.6.2004 RM'000	Preceding Year Quarter 30.6.2003 RM'000	Current Year To Date 30.6.2004 RM'000	Preceding Year To Date 30.6.2003 RM'000
<u>Income Tax:</u>				
Current Tax Charge	3,825	1,244	4,837	2,074
Under/(over) provision in prior year	-	-	-	-
Transfer from deferred tax	2,687	796	2,687	1,592
Share of tax of Associate Co.	1,460	104	1,635	118
	7,972	2,144	9,159	3,784

The Group effective tax rate for the cumulative quarter ended 30 June 2004 is higher by 1% than the statutory tax due to some expenses not allowable for tax.

B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7. QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the current quarter under review.

B8. STATUS OF CORPORATE PROPOSALS

The Company has issued a Circular dated 27 July 2004 for the Proposed Amendments to the Articles of Association of the Company and Proposed Amendments to the By-Laws of Far East Holdings Berhad Employees' Share Option Scheme ["Proposed Amendments"]. The Extraordinary General Meeting is scheduled to be held on 18 August 2004 to obtain approval from the shareholders for the Proposed Amendments.

B9. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings consist of the followings:

	As at end of Current Quarter 30.6.2004 RM'000	As at Preceding Financial Year End 31.12.2003 RM'000	Security
<u>Short Term:</u>			
Short Term Loan	1,020	1,020	Negative Pledge
Revolving Credit	-	10,000	Negative Pledge
<u>Long Term Loan</u>			
Long Term	835	1,345	Negative Pledge
	1,855	12,365	

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

During the current quarter the Group did not enter into any contracts involving off balance sheet instruments.

B11. STATUS OF THE MATERIAL LITIGATIONS

Following is the status of the pending material litigation of the Company:

- (i) Kuantan High Court Suit No. 22-9-2002  
Far East Holdings Berhad ["Plaintiff"] –vs-

- (1) Perbadanan Kemajuan Negeri Pahang ["Defendant"]
- (2) PT Berkat Sawit Sentosa ["Defendant"]

In view of the completion of the settlement between the parties, the Defendants agreed to withdraw their appeals before the Learned Judge with no order as to costs. Their appeals were withdrawn with no order as to costs before the Learned Judge on 19 July 2004.

#### B12. DIVIDEND

No dividend has been proposed or declared for the current quarter under review. [An interim dividend of five(5) sen less 28% Malaysian Income Tax was declared in the preceding current quarter 2003].

#### B13. EARNINGS PER SHARE

Earnings per share is calculated based on the following:

	Current Quarter Ended 30.6.2004	Preceding Year Quarter Ended 30.6.2003	3 Months Cumulative To Date 30.6.2004	3 Months Cumulative To Date 30.6.2003
<u>Basic earnings per share:</u>				
Net Profit Attributable to Shareholders (RM'000)	11,195	4,350	20,767	8,130
Weighted average no. of ordinary shares in issue ('000)	64,241	62,897	64,241	62,897
Basic earnings per share (sen)	17.43	6.92	32.33	12.93
<u>Diluted earnings per share:</u>				
Net Profit Attributable to Shareholders (RM'000)	11,195	4,350	20,767	8,130
Weighted average no. of ordinary shares in issue ('000)	64,241	62,897	64,241	62,897
Adjustment for share option ('000)	698	840	698	805
Weighted average no. of ordinary shares for diluted earning per share ('000)	64,939	63,737	64,939	63,702
Diluted per share (sen)	17.23	6.83	31.98	12.76

