

**FAR EAST HOLDINGS BERHAD [14809-W]**  
**Interim report for the financial year ended 31 December 2003**

[The figures have not been audited]

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END [restated]
	As at 31-Dec-03 RM'000	As at 31-Dec-02 RM'000
<b>Non Current Assets</b>		
Property, plant and equipment	265,940	269,123
Associated Companies	46,405	39,502
Unquoted Investments - at cost	2,299	2,299
Breeding Stocks	760	919
	<b>315,404</b>	<b>311,843</b>
<b>Current Assets</b>		
Inventories	1,124	1,676
Receivables, deposits and prepayments	77,513	64,919
Tax recoverables	1,742	1,878
Bank Balances, Deposits and Cash	34,134	15,174
	<b>114,513</b>	<b>83,647</b>
<b>Less: Current Liabilities</b>		
Payables	5,794	6,083
Borrowings (interest bearing)	11,020	4,932
	<b>16,814</b>	<b>11,015</b>
<b>Net Current Assets</b>	<b>97,699</b>	<b>72,632</b>
<b>Less: Non Current Liabilities</b>		
Reserves on consolidation	6	6
Deferred tax liability	45,679	40,859
Borrowings (interest bearing)	1,345	2,365
	<b>47,030</b>	<b>43,230</b>
	<b>366,073</b>	<b>341,245</b>
<b>Capital and Reserves</b>		
Share Capital	64,190	62,619
Share premium	5,824	4,190
Capital Reserve	142	304
Revaluation Reserve	96,185	96,185
Retained Earnings	173,423	153,490
Shareholders' Equity	<b>339,764</b>	<b>316,788</b>
Minority Interest	26,309	24,457
	<b>366,073</b>	<b>341,245</b>

**Note : The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER [Q4]		CUMULATIVE QUARTER [12 Mths]	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER [restated]	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD [restated]
	31-Dec-03 RM'000	31-Dec-02 RM'000	31-Dec-03 RM'000	31-Dec-02 RM'000
Revenue	21,842	18,107	70,994	57,903
Other operating income/(loss)	950	255	1,477	239
Profit from operations	14,211	9,103	37,767	27,517
Finance income	132	14	279	69
Finance interest	(90)	(149)	(294)	(869)
Share of result of associated companies	7,408	5,455	8,622	5,917
Profit before taxation	21,661	14,423	46,374	32,634
Taxation	(7,396)	(2,085)	(13,335)	(8,952)
Profit after taxation	14,265	12,338	33,039	23,682
Minority interest	(43)	(1,403)	(1,852)	(2,475)
<b>Net profit attributable to shareholders</b>	<b>14,222</b>	<b>10,935</b>	<b>31,187</b>	<b>21,207</b>
<b>Earnings per share (sen)</b>				
Basic	22.37	17.68	49.05	34.28
Diluted	22.12	17.45	48.57	33.99

**Note :** The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For The Year Ended 31 December 2003**

	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	Translation reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
<b>As at 1 January 2002 :</b>								
- as previously reported	61,600	61,600	3,130	-	330	124,485	141,040	330,585
- prior year adjustment	-	-	-	-	-	(28,300)	(5,958)	(34,258)
- as restated	<b>61,600</b>	<b>61,600</b>	<b>3,130</b>	<b>0</b>	<b>330</b>	<b>96,185</b>	<b>135,082</b>	<b>296,327</b>
Net loss not recognised in the income statement	-	-	-	-	(26)	-	-	(26)
Issue of shares- share options	1,019	1,019	1,060	-	-	-	-	2,079
Net profit for the year	-	-	-	-	-	-	21,207	21,207
Dividend paid for the year ended:								
- 31 December 2001	-	-	-	-	-	-	(581)	(581)
- 31 December 2002	-	-	-	-	-	-	(2,217)	(2,217)
<b>As at 31 December 2002</b>	<b>62,619</b>	<b>62,619</b>	<b>4,190</b>	<b>0</b>	<b>304</b>	<b>96,185</b>	<b>153,491</b>	<b>316,789</b>
<b>As at 1 January 2003 :</b>								
- as previously reported	62,619	62,619	4,190	0	304	124,485	162,828	354,426
- prior year adjustment	-	-	-	-	-	(28,300)	(9,338)	(37,638)
- as restated	<b>62,619</b>	<b>62,619</b>	<b>4,190</b>	<b>0</b>	<b>304</b>	<b>96,185</b>	<b>153,490</b>	<b>316,788</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	-	-	-	-	-	-	31,187	31,187
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>0</b>	<b>142</b>	<b>96,185</b>	<b>173,423</b>	<b>339,764</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 2002.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>12 Months Ended</b> <b>31-Dec-03</b> <b>RM'000</b>
Net cash inflow from operating activities	22,998
Net cash outflow from investing activities	(1,056)
Net cash outflow from financing activities	(2,982)
Net increase in cash and cash equivalents	<u><b>18,960</b></u>
Cash and cash equivalent at start of year	15,174
Cash and cash equivalent at end of year	<u><b>34,134</b></u>

**Cash and cash equivalent comprise :**

Cash bank balances and deposits	34,134
Bank overdrafts	-
	<u><b>34,134</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 2002.**

## 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 Malaysia Securities Exchange Berhad ["MSEB"] Listing Requirements, and should be read in conjunction with the Group's financial statement for the year ended 31 December 2002.

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 2002, except for the adoption of MASB 25 – Income Taxes. In compliance with MASB 25, the recognition of deferred tax assets and liabilities has been applied retrospectively and comparatives have been restated.

The effects of the implementation of MASB 25 for the financial year ended 31 December 2002 are summarized as follow:

	<b>As previously reported</b> <b>[RM '000]</b>	<b>As at 31.12.2002</b> <b>Effect</b> <b>[RM'000]</b>	<b>As re-stated</b> <b>[RM'000]</b>
Share premium	4,190	-	4,190
Capital reserve	304	-	304
Revaluation reserve	124,485	(28,300)	96,185
Retained earnings	162,828	(9,338)	153,490
Minority interest	27,678	(3,221)	24,457
Deferred tax liability	-	40,859	40,859
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net tangible assets per share	5.66	(0.60)	5.06

The adoption of MASB 25 has increased the tax expense by RM4.82 million for the cumulative quarter ending 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 2002 was not qualified.

**A3. SEASONALITY OR CYCLICALITY**

As the cropping pattern declines to a trough in the first half of the year and rises to a peak in the second half, the performance of the Group's will be reflected accordingly.

Higher revenue for the current cumulative quarter of 2003 as compared to the preceding cumulative quarter of 2002 is due to:

- (i) Higher average CPO ["Crude Palm Oil"] price of RM1,567 for the current cumulative quarter of 2003 as compared to average price of RM1,343 in the preceding cumulative quarter of 2002.
- (ii) Higher FFB ["Fresh Fruit Bunches"] production by 5%[12,763 mt] as compared to the preceding cumulative quarter of 2002.

**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, RESELL 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 Employee Share Option Scheme["ESOS"]:-

<b>Option price per share [RM]</b>	<b>No. of shares issued ['000]</b>	<b>Cash proceeds [RM '000]</b>
2.04	1,571	3,205

## A7. DIVIDEND PAID

	<b>Current Year To Date 31.12.2003 RM'000</b>	<b>Preceding Year Corresponding Period 31.12.2002 RM'000</b>
<b><u>Far East Holdings Berhad</u></b>		
<b><u>Ordinary:</u></b>		
Interim dividend paid	2,254 <sup>1</sup>	-
Interim dividend paid	2,304 <sup>2</sup>	-
Final dividend paid	5,486 <sup>3</sup>	2,217 <sup>4</sup>
<b><u>Subsidiary:</u></b>		
Kg Aur Oil Palm Company (Sdn.) Berhad		
Final dividend paid	1,210 <sup>5</sup>	581 <sup>6</sup>
	<b>11,254</b>	<b>2,798</b>

### 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 amounting to RM2.25 million.
- 2 The interim dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2003 was paid on 28 October 2003 amounting to RM2.30 million.
- 3 A final dividend of five(5) sen less 28% Malaysian Income Tax and a special tax exempt dividend of five(5) sen in respect of the financial year ended 31 December 2002 amounting to RM5.49 million was paid on 11 July 2003.
- 4 A final dividend of five(5) sen less 28% Malaysian Income Tax for the financial year ended 31 December 2001 was paid on 14 August 2002 amounting to RM2.22 million.
- 5 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.
- 6 A final dividend of ten(10) sen less 28% Malaysian Income Tax was declared by the subsidiary of Far East Holdings Berhad for the financial year ended 31 December 2001 and was paid on 14 June 2002.

## 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 2002, 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, restructurings, 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 MSEB REVISED LISTING REQUIREMENTS****B1. REVIEW OF PERFORMANCE**

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31.12.2003 RM'000	Preceding Year Quarter 31.12.2002 RM'000	Current Year To Date 31.12.2003 RM'000	Preceding Year To Date 31.12.2002 RM'000
Revenue	21,842	18,107	70,994	57,903
Profit before taxation	21,661	14,423	46,374	32,634
Profit after taxation	14,265	12,338	33,039	23,682

Higher revenue for the current quarter 2003 and cumulative quarter 2003 as compared to the preceding current quarter 2002 and cumulative quarter 2002 was due to higher palm oil prices.



The Group recorded a FFB ["Fresh Fruit Bunches"] production of 253,146 mt for the cumulative quarter of 2003 as compared to 240,383 mt in the cumulative quarter of 2002.

The Group's profit before tax rose by 50% (RM7.24million) and by 42% (RM13.74 million) for the current quarter 2003 and cumulative quarter 2003 as compared to the preceding current quarter in 2002 and cumulative quarter 2002 respectively.

**B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	<b>Current Quarter 31.12.2003 RM'000</b>	<b>Preceding Quarter 30.9.2003 RM'000</b>
Revenue	21,842	20,485
Profit before taxation	21,661	11,741
Profit after taxation	14,265	9,586

For the current quarter ended 31 December 2003, the Group recorded a profit before tax of RM21.66 million and profit after tax of RM14.26 million as compared to RM11.74 million and RM9.59 million in the preceding quarter 30 September 2003 respectively. Higher profit in the current quarter as compared to the preceding quarter is mainly attributable to the share of associated profits amounting to RM7.41 million recognized in the current 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 31.12.2003 RM'000	Preceding Year Quarter 31.12.2002 RM'000	Current Year To Date 31.12.2003 RM'000	Preceding Year To Date 31.12.2002 RM'000
<b>Income Tax:</b>				
Current Tax Charge	3,373	723	6,585	4,830
Under/(over) provision in prior year	(250)	(570)	(250)	(17)
Transfer from deferred tax	2,433	1,361	4,820	3,380
Share of tax of Associate Co.	1,840	571	2,180	759
	<b>7,396</b>	<b>2,085</b>	<b>13,335</b>	<b>8,952</b>

The Group effective tax rate for the cumulative quarter ended 31 December 2003 is 28.7% which is slightly higher than a corporate tax by 0.7% due to some expenses not allowed for tax purpose.

## 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

Proposed Settlement of amounts owing by Perbadanan Kemajuan Negeri Pahang ["PKNP"], a substantial shareholder of FEHB, and Pascorp Holdings Sdn Bhd, a wholly-owned subsidiary of PKNP to FEHB ["Proposed Settlement"]

Pursuant to the corporate announcement made by CIMB ["Commerce International Merchant Bankers Berhad – merchant banker appointed by FEHB] on 6 February 2004; the merchant banker is in the process of obtaining the approval from the relevant authorities and preparing the

relevant Circular to be tabled in the Extraordinary General Meeting for the proposed settlement.

#### **B9. GROUP BORROWINGS AND DEBT SECURITIES**

The Group borrowings consist of the followings:

	<b>As at end of Current Quarter 31.12.2003 RM'000</b>	<b>As at Preceding Financial Year End 31.12.2002 RM'000</b>	<b>Security</b>
<b><u>Short Term:</u></b>			
Short Term Loan	1,020	1,020	Negative Pledge
Revolving Credit	10,000	3,912	Negative Pledge
<b><u>Long Term Loan</u></b>			
Long Term	1,345	2,365	Negative Pledge
	<b>12,365</b>	<b>7,297</b>	

#### **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**

Followings are the status of the pending material litigations 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"]

The matter is adjourned for hearing on 6.4.2004 for the Defendants' appeal before the Judge against the Plaintiff's summary judgment.

- (ii) **Kuantan High Court Civil Suit No. 22-115-2002**  
Haji Said dan Anak-Anak Sdn. Bhd ["Plaintiff"] –vs-  
Madah Perkasa Sdn. Bhd ["Defendant"]

The hearing of the Defendant's application to strike out the Plaintiff's claim was held on 18.2.2004 and is fitted for decision on 27.2.2004.

## **B12. DIVIDEND**

### **For the financial year ended 31 December 2003:**

An interim dividend of five(5) sen less 28% Malaysian Income Tax had been declared in respect of the financial year ended 31 December 2003 and was paid on 28 October 2003.

The Board of Directors has proposed a final dividend of ten(10) sen less 28% Malaysian Income Tax and a tax exempt dividend of two(2) sen for the financial year ended 31 December 2003. The proposed dividend is subject to the approval from the shareholders in the Annual General Meeting to be held at a later date.

### **For the financial year ended 31 December 2002:**

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

A final dividend of five(5) sen less 28% Malaysian Income Tax and a special tax exempt dividend of five(5) sen was declared in respect of the financial year ended 31 December 2002 and was paid on 11 July 2003.

### **Total dividend:**

The total dividend for the financial year ended 31 December 2003 is seventeen (17) sen.

[2002: Fifteen (15) sen].

### B13. EARNINGS PER SHARE

Earnings per share is calculated based on the following:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31.12.2003	Preceding Year Quarter Ended 31.12.2002	Current Quarter Ended 31.12.2003	Preceding Year Quarter Ended 31.12.2002
<b><u>Basic earnings per share:</u></b>				
Net Profit Attributable to Shareholders (RM'000)	14,222	10,935	31,187	21,207
Weighted average no. of ordinary shares in issue ('000)	63,584	61,862	63,584	61,862
Basic earnings per share (sen)	<b>22.37</b>	<b>17.68</b>	<b>49.05</b>	<b>34.28</b>
<b><u>Diluted earnings per share:</u></b>				
Net Profit Attributable to Shareholders (RM'000)	14,222	10,935	31,187	21,207
Weighted average no. of ordinary shares in issue ('000)	63,584	61,862	63,584	61,862
Adjustment for share option ('000)	702	801	620	529
Weighted average no. of ordinary shares for diluted earning per share ('000)	64,286	62,663	64,204	62,391
<b>Diluted per share (sen)</b>	<b>22.12</b>	<b>17.45</b>	<b>48.57</b>	<b>33.99</b>