

**1. Basis of preparation**

The interim report statements are unaudited and have been prepared in accordance with the requirements of MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2003. Those 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 30 June 2003.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 30 June 2003.

**2. Qualified financial statements**

The preceding financial statements for the year ended 30 June 2003 were reported without any qualification.

**3. Seasonality or cyclicity of interim operations**

The Group’s operation is not affected materially by any seasonal/cyclical factors.

**4. Nature and amount of unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter and financial year to date.

**5. Nature and amount of changes in estimates**

There were no changes in estimates of amounts, which give a material effect in the current financial period ended 31 December 2003.

**6. Debts and equity securities**

For the current financial year to date:-

- (i) There were no issuance of debts securities other than the RM100 million nominal value Al-Bai’ Bithaman Ajil Fixed Rate Serial Bonds (“ABBA Bonds”) issued during last financial year. These are classified within short and long term borrowings in Note 15.

**Debts and equity securities (cont'd)**

- (ii) During the six months ended, the issued and fully paid-up share capital of the Company was increased from 141,066,000 shares to 141,304,000 shares through the issuance of 238,000 shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS")

Other than as disclosed above, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial period ended 31 December 2003.

**7. Taxations**

	<i>Current Quarter 31.12.2003 RM'000 (Unaudited)</i>	<i>Cumulative Quarter Year to date 31.12.2003 RM'000 (Unaudited)</i>
Provision for taxation in respect of the profit for the period	1,346	5,000
Provision for deferred taxation	-	-
	<u>1,346</u>	<u>5,000</u>

The effective tax rate for the periods presented above was lower than the statutory income tax rate in Malaysia due the availability of capital allowances, double tax deduction and investment tax allowances for set-off against the current year's taxable profit for its biomass power plant and palm product processing operations.

**8. Dividends paid**

No dividends were paid during the financial year to date.

**9. Valuation of property, plant and equipment**

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual audited financial statements for the financial year ended 30 June 2003.

**10. Sales of unquoted Investments and/or Properties**

There were no sales of unquoted investments or properties for the current quarter and financial year to date.

## 11. Segmental information

Segmental information is presented in respect of the Group's business segments which is the Group's primary basis of segmental reporting.

The Group is organised into four major business segments:

- i) Oil palm plantations and palm products processing – management and operations of plantation and, manufacture and sales of palm products;
- ii) Trading of industrial products – purchase and sales of diesel;
- iii) Biomass power plant – generate and supply of energy and steam; and
- iv) Others - dividend and rental income, operations of bulking installation and a stone and gravel quarry.

Segmental information for the current financial year to date ended 31 December 2003 are as followed:

	<i>Oil palm plantations and Palm Products Processing RM '000</i>	<i>Trading of industrial products RM '000</i>	<i>Biomass Power Plant RM '000</i>	<i>Others RM '000</i>	<i>Eliminations RM '000</i>	<i>Total RM '000</i>
<b>Revenue</b>						
External sales	667,266	2,862	-	4,360	-	
Internal sales	176,441	3,433	5,056	25	(184,955)	
Total revenue	843,707	6,295	5,056	4,385	(184,955)	674,488
<b>Result</b>						
Segment profit/(loss) before tax	32,732	258	1,937	391	-	35,318
Unallocated Corporate expenses						-
Profit before tax						35,318
Taxation						(5,000)
Profit after tax						30,318

## 12. Quoted securities

There was no purchase or disposal of any quoted securities for the current quarter and financial year to date.

## 13. Status of corporate proposal

There are no corporate proposals announced but not completed as at 17 February 2004, being 7 days from the date of this report.

#### **14. Changes in the composition of the Group**

There have been no changes to the composition of the Group during the current interim period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing of operations

#### **15. Group's borrowings and debts securities**

Details of the Group's borrowings as at 31 December 2003 are as follows:

	<i>RM'000</i>
Short term borrowings*	
- Unsecured	-
- Secured	<u>132,270</u>
- Total	132,270
Add: Current portion of long term borrowings	<u>11,674</u>
	<u>143,944</u>
Long term borrowings**	
- Unsecured	-
- Secured	<u>112,724</u>
- Total	112,724
Less: Current portion of long term borrowings	<u>11,674</u>
	<u>101,050</u>

\*The short term borrowings represents RM10 million of ABBA Bonds, Bankers Acceptance for the financing of inventories and trade receivables.

\*\* The long term borrowings represents RM90 million of ABBA Bonds and Term loan.

All the above borrowings are denominated at Ringgit Malaysia.

#### **16. Off Balance Sheet Financial instruments**

During the current financial period and up to 17 February 2004, being 7 days from the date of this report, the Group does not have any material outstanding financial instruments with off balance sheet risks.

Credit risk, or the risk of counterparties defaulting, is controlled by strictly limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance Sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

**Notes to the interim financial statement – 31 December 2003**

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**17. Contingent liabilities**

**Unsecured**

The Company has provided corporate guarantees to secure banking facilities given to subsidiary companies. The amount utilised and outstanding as at 31 December 2003 amounted to RM100 million.

The Group is disputing a claim amounting to RM5 million from RHB Bank Berhad on an alleged foreign currency forward contract entered into by the Group. Legal proceedings are in progress and the outcome is yet to be determined. The Company's lawyers are of the opinion that the Group has a good prospect of succeeding in this litigation.

**18. Capital commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2003 is as follows:

Approved and contracted for	<i>RM'000</i> <u>14,918</u>
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**19. Comparison with preceding quarter**

The Group registered a revenue of RM384.60 million and pre-tax profit of RM18.07 million in current quarter as compared to RM386.38 million and pre-tax profit of RM16.65 million in the preceding quarter, no significant charges compared to the preceding quarter.

**20. Review of performance**

Palm product prices continued to be stable during the quarter under reviewed. The oil palm plantation and palm products processing activities continued to be the major contributor to the Group's revenue and profit. Group's Biomass electricity power generation plant is operation and contributed revenue of RM 5 million. During the quarter under reviewed, profit margin for palm product processing division improved significantly due to the coming on stream of the Group's China operation facilities.

The 2<sup>nd</sup> phase of the Group's China investment consist of the construction of a Refinery, Shortening and Soap Noodle Plants are currently in progress. The project is to be completed by the 2<sup>nd</sup> half of 2004.

**21. Prospects**

The Directors are of the view that the overall performance of the Group will continue to be strong, particularly on the oil palm plantations and palm products processing segments. The coming on stream of the China processing facilities is expected to contribute significantly to the Group's turnover and profit. The strong CPO prices will benefit the Group's plantation section.

**22. Variance of actual profit from forecast profit and shortfall in the profit guarantee**

There were no profit forecast or profit guarantee given for this financial year ending 30 June 2004.

**23. Subsequent events**

There were no material events subsequent to the financial period ended 31 December 2003.

**24. Dividend payable**

At the Eighth Annual General Meeting held on 10 December 2003, the shareholders approved a final dividend of 5 sen per share, tax exempt, amounting RM7,066,250 be paid on 2 March 2004 in respect of the financial year ended 30 June 2003.

**25. Earning per share**

- a) Basic earning per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period.
- b) For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial period have been adjusted for the effects of dilutive potential ordinary shares from exercise of ESOS.

	<i>Current</i>	<i>Period</i>	<i>Cumulative</i>	<i>Period</i>
	<i>31.12.2003</i>	<i>31.12.2002</i>	<i>31.12.2003</i>	<i>31.12.2002</i>
<b>(a) Basic earnings per share</b>				
Net profit for the period (RM'000)	16,728	13,574	30,042	17,126
Weighted average number of Ordinary shares in issue ('000)	141,213	140,866	141,143	140,817
Basic earnings per share (sen)	11.85	9.64	21.28	12.16
<b>(b) Diluted earnings per share</b>				
Net profit for the period (RM'000)	16,728	13,574	30,042	17,126
Weighted average number of Ordinary shares for diluted ('000)	144,964	142,550	144,782	142,608
Diluted earnings per share (sen)	11.54	9.25	20.75	12.01

**26. Significant related party transactions**

	<i>Current Quarter</i>	<i>Cumulative Quarter Year to date</i>
	<i>31.12.2003 (RM'000)</i>	<i>31.12.2003 (RM'000)</i>
Transactions with Fordeco Construction Sdn. Bhd., a company in which Kwan Ngen Chung and Kwan Ngen Wah, Directors of the Company, have interest:		
Sales of diesel	222	604
Transactions with Fordeco Sdn. Bhd., a company in which Kwan Ngen Chung and Kwan Ngen Wah, Directors of the Company, have interest:		
Sales of diesel	124	286
Transactions with Lahad Datu Tyres Sdn. Bhd., a company in which the brother and a sister of Kwan Ngen Chung, Kwan Ngen Wah, Kwan Jin Nget and Kwan Min Nyet, Directors of the Company, have interest:		
Purchase of tyres, batteries and lubricants	254	491
Transactions with Universal Shipping Group Inc. (wholly owned by Warisan Kiara Sdn. Bhd.), a company in which Kwan Ngen Chung and Kwan Ngen Wah, Directors of the Company, have interest:		
Freight charges paid	4,870	6,443

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with third parties.

**27. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24<sup>th</sup> February 2004.