

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 30 June 2004.

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.

6. Debts and equity securities (cont'd)

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 30 June 2004.

7. Taxation

	<i>Current Quarter 30.6.2004 RM'000 (Unaudited)</i>	<i>Cumulative Quarter Year to date 30.6.2004 RM'000 (Unaudited)</i>
Provision for taxation in respect of the profit for the period/year		
- Malaysian income tax	(482)	6,518
- Foreign tax	383	383
Provision for deferred taxation	<u>165</u>	<u>165</u>
	<u>66</u>	<u>7,066</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, reinvestment allowances and investment tax allowances for set-off against the current period/year's taxable profit for its biomass power plant and palm product processing operations.

8. Dividends paid

The amount of dividends paid during the financial year ended 30 June 2004 were as followed:

A final dividend of 5 sen per share, tax exempt, paid on 2 March 2004	<i>RM'000</i> <u>7,066</u>
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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 30 June 2004 are as followed:

	<i>Oil palm plantations and Palm Products Processing</i> RM '000	<i>Trading of industrial products</i> RM '000	<i>Biomass Power Plant</i> RM '000	<i>Others</i> RM '000	<i>Eliminations</i> RM '000	<i>Total</i> RM '000
Revenue						
External sales	1,169,763	5,408	-	12,733	-	
Internal sales	281,400	6,759	9,571	50	(297,780)	
Total revenue	1,451,163	12,167	9,571	12,783	(297,780)	1,187,904
Result						
Segment profit before tax	41,230	407	3,260	2,569	-	47,466
Unallocated Corporate expenses						-
Profit before tax						47,466
Taxation						(7,066)
Profit after tax						40,400

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 21st August 2004, being 7 days from the date of this report.

14. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter except for the following:

- acquisition of a total of 100 ordinary shares of USD1.00 (RM3.80) each, representing the entire issued and paid up capital of Kwantas Internation Inc.. (“KII”) for a total cash consideration of USD100 (RM380) on 10th May 2004
- setting up of a 100% owned subsidiary, Dong Ma Oils & Fats (Zhangjiagang Free Trade Zone) Co. Ltd. (“DMZJGFTZ”) for a total cash investment of RM 8,831,948 on 28th May 2004 .

The effects of these acquisition and investment on the interim financial statements are as follows:

	<i>KII</i>	<i>DMZJGFTZ</i>
	<i>RM'000</i>	<i>RM'000</i>
Revenue	2,554	-
Profit before taxation	2,548	-
Cash flows		
- Cash flows from operating activities	2,147	-
- Cash flows from investing activities	-	(8,832)

The net assets of the two subsidiaries was RM 2,146,584 (KII) and RM 8,831,948 (DMZJGFTZ) as at 30 June 2004.

15. Group’s borrowings and debts securities

Details of the Group’s borrowings as at 30 June 2004 are as follows:

	<i>RM'000</i>
Short term borrowings*	
- Unsecured	-
- Secured	145,649
- Total	145,649
Add: Current portion of long term borrowings	11,727
	<u>157,376</u>
Long term borrowings**	
- Unsecured	-
- Secured	114,993
- Total	114,993
Less: Current portion of long term borrowings	11,727
	<u>103,266</u>

*The short term borrowings represents Bankers Acceptance for the financing of inventories and trade receivables.

** The long term borrowings represents RM100 million of ABBA Bonds and RM14.993 million Term loan.

All the above borrowings are denominated in Ringgit Malaysia.

16. Off balance sheet financial instruments

During the current financial period and up to 21st August 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.

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 30 June 2004 amounted to RM120 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 30 June 2004 is as follows:

	<i>RM'000</i>
Approved and contracted for	<u> -</u>

19. Comparison with preceding quarter

The Group registered a revenue of RM221.43 million and pre-tax profit of RM7.41 million in current quarter as compared to RM333.18 million and pre-tax profit of RM11.52 million in the preceding quarter. The decreased in the revenue of RM111.75 million and pre-tax profit of RM4.11 million were mainly due to slower palm products sales in June 2004 compared to preceding quarter.

20. Review of performance

Palm product prices fluctuated moderately 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 9.5 million.

The 2nd 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 2nd 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.

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 end of the current quarter.

24. Dividend payable

There were no dividend proposed during the financial year to date.

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 30.6.2004</i>	<i>Period 30.6.2003</i>	<i>Cumulative 30.6.2004</i>	<i>Period 30.6.2003</i>
(a) Basic earnings per share				
Net profit for the period (RM'000)	7,362	10,945	40,400	32,176
Weighted average number of Ordinary shares in issue ('000)	141,794	140,952	141,362	140,871
Basic earnings per share (sen)	5.19	7.77	28.58	22.84
(b) Diluted earnings per share				
Net profit for the period (RM'000)	7,362	10,945	40,400	32,176
Weighted average number of Ordinary shares for diluted ('000)	146,171	144,950	145,602	143,689
Diluted earnings per share (sen)	5.04	7.55	27.75	22.39

26. Significant related party transactions

	<i>Current Quarter 30.6.2004 (RM'000)</i>	<i>Cumulative Quarter Year to date 30.6.2004 (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	318	1,035
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	145	590

Notes to the interim financial statements – 30 June 2004

Significant related party transactions (cont'd)

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	227	969
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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	3,415	13,080
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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 28th August 2004.