



APP INDUSTRIES BERHAD

(Company No: 504718-U)
(Incorporate in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR PERIOD ENDED 31 MARCH 2004

Dated: 17 May 2004



CONTENTS

	<u>PAGE</u>
1. CONDENSED CONSOLIDATED INCOME STATEMENT	2
2. CONDENSED CONSOLIDATED BALANCE SHEET	3
3. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
4. CONDENSED CONSOLIDATED CASH FLOW STATEMENT	5
5. NOTES TO THE INTERIM FINANCIAL REPORT	6 to 9
Section A: Disclosure Notes As Required Under MASB 26	
Section B: Disclosure Notes As Required Under Listing Requirements of Bursa Malaysia	10 to 13

**APP INDUSTRIES BERHAD** (504718-U)**INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004**

The Board of Directors is pleased to announce the Unaudited Interim Financial Report on consolidated results of the Group for the Financial Year 2004, 1st Quarter ended 31 March 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Note	Current Year Quarter 31.03.2004 RM'000	Preceding Year Quarter 31.03.2003 RM'000	Current Year-to-date Ended 31.03.2004 RM'000	Preceding Year-to-date Ended 31.03.2003 RM'000
Revenue	8&14	16,476	NA	16,476	NA
Cost of sales		(11,739)	NA	(11,739)	NA
Gross profit		4,737	NA	4,737	NA
Other operating income		29	NA	29	NA
Operating expenses		(2,699)	NA	(2,699)	NA
Other operating expenses		(7)	NA	(7)	NA
Profit from operations	8	2,060	NA	2,060	NA
Finance costs		(87)	NA	(87)	NA
Profit before taxation	14	1,973	NA	1,973	NA
Taxation	18	(717)	NA	(717)	NA
Profit after taxation		1,256	NA	1,256	NA
Minority Interest		0	NA	0	NA
Net Profit for the period		1,256	NA	1,256	NA
Basic earnings per ordinary share (sen)	26	1.569	NA	1.569	NA

Note: The Group's acquisition was completed on 27 May 2003.

No comparative figures were available for preceding year corresponding quarter.

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Report for the year ended 31 December 2003.)

INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As At 31.03.2004 RM'000	Audited As At 31.12.2003 RM'000
Property, plant and equipment		44,829	44,544
Goodwill on consolidation	1&5	306	311
Current Assets			
Inventories		7,374	8,643
Trade receivables		11,836	9,400
Other receivables and prepaid expenses		354	833
Tax recoverable		248	224
Cash and bank balances		6,149	2,926
Total Current Assets		25,961	22,026
Current Liabilities			
Trade payables		2,846	2,142
Other payables and accrued expenses	22	2,819	2,985
Borrowings		4,322	2,260
Tax Liabilities		467	48
Total Current Liabilities		10,454	7,435
Net Current Assets		15,507	14,591
		60,642	59,446
Share Capital		40,000	40,000
Reserves			
Share premium		11,661	11,661
Retained profit c/f		3,110	1,854
Shareholders' Equity		54,771	53,515
Long-term and Deferred liabilities			
Borrowings	22	275	335
Deferred tax liabilities		5,596	5,596
Total Long-term Liabilities		5,871	5,931
		60,642	59,446
Net Tangible Assets		54,465	53,204
Net Tangible Assets Per Share (sen)		0.681	0.665

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Report for the year ended 31 December 2003.)



APP INDUSTRIES BERHAD (504718-U)

**INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	RESERVES			
	Share Capital	[Non-Distributable] Share Premium	[Distributable] (Accumulated Losses)/ Retained Profit	Total
	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2004	40,000	11,661	1,854	53,515
Net profit for the period	0	0	1,256	1,256
Balance as of 31 March 2004	40,000	11,661	3,110	54,771

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



INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year Quarter 31/03/2004 RM'000
Net profit before tax	
Adjustment for non-cash flow:-	1,973
Non-cash items	588
Non-operating items	68
Operating profit before changes in working capital	2,629
Changes in working capital	
Net changes in current assets	(687)
Net changes in current liabilities	538
Cash flows from operating activities	2,480
Tax paid	(321)
Net cash flows generated from operating activities	2,159
Investing activities	
- Other investment	(868)
- Interest received	18
	(850)
Financing activities	
- Interest paid	(87)
- Bank borrowings	1,657
	1,570
Net changes in cash and cash equivalents	2,879
Cash and cash equivalents at beginning of year	1,493
Cash and cash equivalents at end of period	4,372
Cash and cash equivalents at end of financial period comprise the followings:-	
Cash and bank balances	6,149
Bank overdrafts (include within short term borrowings in Note 22.)	(1,777)
	4,372

Note: The Group's acquisition was completed on 27 May 2003.
No comparative figures were available for preceding year corresponding quarter.

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Report for the year ended 31 December 2003.)



NOTES TO THE INTERIM FINANCIAL REPORT

**SECTION A
DISCLOSURE NOTES AS REQUIRED UNDER MASB 26**

1. BASIS OF PREPARATION

The Interim Financial Report is unaudited and has been prepared in accordance with the Malaysian Accounting Standards Board (MASB) 26 "Interim Financial Statements" and in compliance with Chapter 9 (Part K) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") requirements.

The accounting policies and methods of computation for this financial statements remain unchanged and are consistent with those adopted by the latest Annual Audited Financial Statements as at 31 December 2003.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualification on the Group's financial statements for the year ended 31 December 2003.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business of the Group depended on seasonality pattern and cyclical factors of the lawn and garden industry in the world market and with which approximately 98% of the Group's revenue was generated through export sales while approximately 2% was contributed by the domestic sales.

During the financial period under review, the Group reported revenue of RM16.476 million and profit before taxation of RM1.973 million due to high export deliveries in the first quarter. However, there were no comparative figures since the Group had completed its acquisitions on 27 May 2003 and listed on Second Board of the Bursa Malaysia on 6 August 2003.

The Group serves a wide customers' base in lawn and garden industry worldwide. As such, the demand for the Group's products in the normal course of event is seasonal with high demand during the first quarter of the year.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 31 March 2004.



INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004

5. CHANGE IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OR THE CURRENT FINANCIAL YEAR OR IN PRIOR FINANCIAL YEARS.

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

6. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchase, resale and repayment of debts and equity securities, share buy-back or shares held as treasury shares during the reporting period.

7. DIVIDENDS

No interim dividend was declared or payable for this financial period ended 31 March 2004.

8. SEGMENTAL INFORMATION

Segment Revenue	3 months ended 31/03/2004 RM'000
Trading	14,618
Manufacturing	5,581
Others	1,313
	<hr/>
	21,512
Eliminations	(5,036)
	<hr/>
Group Revenue	16,476
	<hr/>
Segment Result	3 months ended 31/03/2004 RM'000
Profit / (Loss)	
- Trading	1,794
- Manufacturing	326
- Others	(7)
	<hr/>
	2,113
Unallocated Corporate Expenses	(53)
	<hr/>
Profit from operations	2,060
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9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation of Property, Plant and Equipment since the latest Audited Financial Statements for the year ended 31 December 2003.

10. MATERIAL SUBSEQUENT EVENTS

There had been no material events subsequent to the end of the current quarter except for the following:

- a) On 12 April 2004, the Company announced that the Company had acquired the entire issued and paid-up share capital of Leaderco Sdn. Bhd. ("LC") (385952-T) comprising 30,000 ordinary shares of RM1.00 each at par and for a total cash consideration of RM30,000.00 from Oriwina Sdn. Bhd. ("OW") (384926-P). Upon completion of the acquisition of shares, Leaderco Sdn. Bhd. became a 100% directly owned subsidiary of the Company.
- b) On 22 April 2004, the Company announced that the Company had on 14 April 2004 subscribed an additional 120,000 ordinary shares of RM1.00 each at par in the capital of Leaderco Sdn. Bhd. (385952-T) for a total cash consideration of RM120,000.00. Therefore, Leaderco Sdn. Bhd. remained a wholly owned subsidiary of the Company. After the additional subscription, the total paid up capital of Leaderco Sdn. Bhd. was increased to RM150,000.00 divided into 150,000 ordinary shares of RM1.00 each fully paid.

Prior to the subscription, Leaderco Sdn. Bhd. had on 14 April 2004 increased its authorized capital from RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each to RM500,000.00 divided into 500,000 ordinary shares of RM1.00 each.

11. CHANGES IN COMPOSITION OF THE GROUP

During the financial period under review, the Group's corporate restructuring exercise was carried out as follows:-

- a) On 19 February 2004, the Company had acquired the entire issued and paid-up share capital of Asiarise Holdings Sdn. Bhd. ("AR") (385684-D) comprising 30,000 ordinary shares of RM1.00 each at par and for a total cash consideration of RM30,000.00 from Oriwina Sdn. Bhd. (384926-P). Upon completion of the acquisition of shares, Asiarise Holdings Sdn. Bhd. become a 100% directly owned subsidiary of the Company.



b) On 20 February 2004, the Company had subscribed an additional 320,000 ordinary shares of RM1.00 each at par in the capital of Asiarise Holdings Sdn. Bhd. (385684-D) for a total cash consideration of RM320,000.00. Therefore, Asiarise Holdings Sdn. Bhd. remained a wholly owned subsidiary of the Company. After the additional subscription, the total paid up capital of Asiarise Holdings Sdn. Bhd. was increased to RM350,000.00 divided into 350,000 ordinary shares of RM1.00 each fully paid.

The composition of the entire Group remain unchanged except the above (a) and (b). However, this corporate exercise had no impact on its financial results of the Group.

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors were not aware of any material contingent liabilities or contingent assets, which if enforced, may have material impact on the profit or net asset value of the Group.

13. CAPITAL COMMITMENTS

The Directors were not aware of any material capital commitments, which if enforced, may have material impact on the profit or net asset value of the Group.



NOTES TO THE INTERIM FINANCIAL REPORT

SECTION B
DISCLOSURE NOTES AS REQUIRED UNDER LISTING REQUIREMENTS OF
BURSA MALAYSIA

14. PERFORMANCE REVIEW

For the financial period ended 31 March 2004, the Group attained a profit before taxation of RM1.973 million with total revenue of RM16.476 million.

15. COMMENTARY ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

During the current period under review, the Group achieved profit before tax of RM1.973 million from its sales revenue of RM16.476 million. There were no comparative figures available for preceding year corresponding quarter.

The remarkable first quarter performance was mainly due to an increase in sales revenue and shipment of goods in export market during peak season.

16. COMMENTARY ON CURRENT YEAR PROSPECTS

Barring any unforeseen circumstances, the Board is of the opinion that the performance of the Group for the financial year ending 31 December 2004 should improve further.

The Board is expects to chart continuous growth in the current financial year ending 31 December 2004 and the Group will concentrate on promoting "Sandstone" products to customers in order to strengthen its position.

17. PROFIT FORECAST OR PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the deviation in profit forecast in year 2004 and profit guarantee are not applicable.

18. TAXATION

	3 months ended 31/03/2004 RM'000
Tax expense for the period	<u>717</u>

The Group's effective tax rate for the first quarter ended 31 March 2004 was higher than the statutory income tax rate. This was due mainly to certain subsidiaries' expenses, which were not deductible for tax purposes.



INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted investments and/or properties during the financial period under review, other than mentioned in Note 10 and Note 11.

20. QUOTED SECURITIES

There was no purchase and/or disposal of quoted securities during the financial period under review.

21. CORPORATE PROPOSALS

a. Status of Corporate Proposals

There was a corporate proposal completed on 14 April 2004 and announced in the Bursa Malaysia on 22 April 2004 as mentioned in Note 10 of this financial statements.

b. Status of Utilization of Proceeds

The status of utilization of the proceeds raised from the Public Offering amounting to RM4.545 million as at the date of this report is as follows:-

Purpose	Amount Raised RM'000	Utilization up to 31.12.2003 RM'000	Amount Unutilized RM'000
Repayment of bank borrowings	642	642	-
Listing expenses	1,800	1,800	-
Capital expenditure	2,103	-	2,103*
TOTAL	4,545	2,442	2,103

The amounts allocated for repayment of bank borrowings and listing expenses had been fully utilized and the balance was for working capital.

* The listing proceeds originally reserved for capital expenditure in APP Group have yet to be utilized and implemented due to the Proposed Variation in the Utilization of Listing Proceeds.

The Company had on 21 April 2004 made an announcement in Bursa Malaysia that the proposed full utilization of proceeds raised for capital expenditures amounting to RM2.103 million be extended for an additional period of one (1) year from 5 February 2004 to 6 April 2005. The Company intends to seek the approval from its Shareholders in the forthcoming Annual General Meeting on 11 June 2004 regarding the proposed variation of the utilization of listing proceeds amounting to RM2.103 million.



22. BORROWINGS AND DEBT SECURITIES

	<u>As At</u> <u>31/03/2004</u> RM'000
Secured Short-term Borrowings:	
Bankers' acceptance	2,280
Bank overdrafts	1,777
Hire-purchase payable	265
	4,322
Secured Long-term Borrowing:	
Hire-purchase payable	275
	<u>4,597</u>

All of the above borrowings are denominated in Ringgit Malaysia.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this interim report except for foreign exchange facilities with banks. These facilities remained unutilized.

24. CHANGES IN MATERIAL LITIGATION

The Directors were not aware of any material litigation, which, if enforced, may have material impact on the profit or net asset value of the Group.

25. DIVIDEND PAYABLE

There were no dividends declared or payable by the Company for the current quarter ended 31 March 2004.



INTERIM FINANCIAL REPORT
FINANCIAL YEAR 2004
First Quarter Ended 31 March 2004

26. EARNINGS PER SHARE

The basic earnings per ordinary share of the Group were calculated by dividing the net profit attributed to the ordinary shareholders by the weighted number of ordinary shares outstanding during the financial period.

	3 months ended 31/03/2004	Current Year to Date 31/03/2004
Net profit for the period (RM'000)	1,256	1,256
Weighted average number of ordinary shares in issue ('000)	80,000	80,000
Basis earnings per share (sen)	1.569	1.569

No diluted earnings per share are presented.

27. AUTHORISATION FOR ISSUE

The interim financial statements for the period under review were authorized and approved for issue and announce in Bursa Malaysia by the APP's Board in accordance with the resolution made on the Sixth (6th) Board of Directors' meeting on 17 May 2004.

28. COMPARATIVE FIGURES

The Group's acquisition was completed on 27 May 2003 and this is unaudited interim financial report for the financial year ending 31 December 2004. Hence, no comparative figures were presented.

By Order of the Board
Dated: 17th day of May, 2004