

APP INDUSTRIES BERHAD ( Company No. : 504718 U )  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2004**

	Note	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30.06.2004	27.05.2003 to 30.06.2003 *	30.06.2004	27.05.2003 to 30.06.2003 *
		RM'000	RM'000	RM'000	RM'000
Revenue	8&14	10,178	2,278	26,654	2,278
Cost of sales		(7,463)	(1,349)	(19,202)	(1,349)
Gross profit		2,715	929	7,452	929
Other operating income		51	10	80	10
Operating expenses		(2,432)	(703)	(5,131)	(703)
Other operating expenses		(5)	(3)	(12)	(3)
Profit from operations	8	329	233	2,389	233
Finance costs		(49)	(54)	(136)	(54)
Profit before taxation	14	280	179	2,253	179
Taxation	18	(28)	(12)	(745)	(12)
Profit after taxation		252	167	1,508	167
Minority interests		0	0	0	0
Net profit for the period		252	167	1,508	167
Basic earnings per ordinary share (sen)	26	0.317	0.589	1.887	1.185

Note:

\* The Group's acquisition was completed on 27 May 2003. The corresponding quarter of the preceding year was from 27.05.2003 to 30.06.2003. As a result, the two quarters are not comparable.

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

**APP INDUSTRIES BERHAD ( Company No.: 504718 U )  
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
 AS AT 30 JUNE 2004**

	AS AT END OF CURRENT QUARTER 30.06.2004	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31.12.2003
Note	----- RM'000	----- RM'000
PROPERTY, PLANT AND EQUIPMENT	45,640	44,544
GOODWILL ON CONSOLIDATION	300	311
<b>CURRENT ASSETS</b>		
Inventories	8,150	8,643
Trade receivables	6,667	9,400
Other receivables and prepaid expenses	812	833
Tax recoverable	226	224
Deposits with financial institutions	1,500	
Cash and bank balances	3,803	2,926
	<hr/>	<hr/>
Total Current Assets	21,158	22,026
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Trade payables	1,764	2,142
Other payables and accrued expenses	2,366	2,985
Borrowings	22      2,005	2,260
Tax liabilities	92	48
	<hr/>	<hr/>
Total Current Liabilities	6,227	7,435
	<hr/>	<hr/>
NET CURRENT ASSETS	14,931	14,591
	<hr/>	<hr/>
	60,871	59,446
	<hr/>	<hr/>
SHARE CAPITAL	40,000	40,000
RESERVES		
Share Premium	11,661	11,661
Retained Profit c/f	3,362	1,854
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY	55,023	53,515
LONG-TERM AND DEFERRED LIABILITIES		
Borrowings	22      252	335
Deferred tax liabilities	5,596	5,596
	<hr/>	<hr/>
Total Long-term Liabilities	5,848	5,931
	<hr/>	<hr/>
	60,871	59,446
	<hr/>	<hr/>
NET TANGIBLE ASSETS	54,723	53,204
	<hr/>	<hr/>
NET TANGIBLE ASSETS PER SHARE (RM)	0.684	0.665
	<hr/>	<hr/>

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

**APP INDUSTRIES BERHAD ( Company No. : 504718 U)  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE SECOND QUARTER ENDED 30 JUNE 2004**

	<b>Reserves</b>			<b>Total</b>
	<b>Share Capital</b>	<b>[Non- Distributable] Share Premium</b>	<b>[Distributable] (Accumulated Losses)/ Retained Profit</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as of 1 January 2004	40,000	11,661	1,854	53,515
Net profit for the period	0	0	1,508	1,508
Balance as of 30 June 2004	40,000	11,661	3,362	55,023

(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)

**APP INDUSTRIES BERHAD ( Company No. : 504718 U )  
 UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
 FOR THE SECOND QUARTER ENDED 30 JUNE 2004**

	<b>CURRENT YEAR QUARTER 30.06.2004</b>
	<b>RM'000</b>
<b>Net profit before tax</b>	2,253
Adjustment for non-cash flow:-	
Non-cash items	1,171
Non-operating items	97
Operating profit before changes in working capital	<u>3,521</u>
Changes in working capital	
Net changes in current assets	3,247
Net changes in current liabilities	<u>(997)</u>
Cash flows from operating activities	5,771
Tax paid	(701)
Net Cash Flows Generated From Operating Activities	<u>5,070</u>
Investing Activities	
- Other investment	<u>(2,257)</u>
- Interest Received	39
	(2,218)
Financing Activities	
- Interest paid	<u>(136)</u>
- Bank borrowings	<u>(255)</u>
	(391)
Net Changes in Cash & Cash Equivalents	2,461
Cash & Cash Equivalents at beginning of year	1,493
Cash & Cash Equivalents at end of period	<u>3,954</u>
Cash and cash equivalents at end of financial period comprise the following:	
Cash and bank balances	5,303
Less Bank overdrafts (included within short term borrowings in Note 22.)	(1,349)
	<u>3,954</u>

Note:

\* The Group's acquisition was completed on 27 May 2003. The corresponding quarter of the preceding year was from 27.05.2003 to 30.06.2003. As a result, the two quarters are not comparable.

**(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 97% of the Group's revenue was generated through export sales while approximately 3% was contributed by the domestic sales.

#### **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 30 June 2004.

#### **5. CHANGE IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OF 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 ended and financial year to date.

## 6. DEBT AND EQUITY SECURITIES

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

## 7. DIVIDENDS

No dividend was paid in the current quarter. Please refer to the Note 25 on dividend declared during the period.

## 8. SEGMENTAL INFORMATION

	<b>3 Months ended 30.06.2004 RM'000</b>	<b>6 Months ended 30.06.2004 RM'000</b>
Segment Revenue		
Trading	8,547	23,165
Manufacturing	4,917	10,498
Others	<u>1,363</u>	<u>2,676</u>
	14,827	36,339
Elimination	<u>(4,649)</u>	<u>(9,685)</u>
Group Revenue	<u>10,178</u>	<u>26,654</u>

	<b>3 Months ended 30.06.2004 RM'000</b>	<b>6 Months ended 30.06.2004 RM'000</b>
Segment Result		
Profit/(Loss)		
-Trading	340	2,134
-Manufacturing	67	393
-Others	<u>(2)</u>	<u>(9)</u>
	405	2,518
Unallocated Corporate Expenses	<u>(76)</u>	<u>(129)</u>
Profit from operations	<u>329</u>	<u>2,389</u>

## 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. SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the current quarter and financial year to date.

## **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 12 April 2004, the Company announced to propose to acquire the entire issued and paid-up share capital of Leaderco Sdn. Bhd. (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. The approval has been given by shareholders on 11 June 2004.
- b) On 22 April 2004, the Company announced to propose to subscribe 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. The approval has been given by shareholders on 11 June 2004.
- c) On 15 June 2004, Leaderco Sdn. Bhd. (385952-T), a wholly owned subsidiary of APP Industries Berhad has changed its name to Asian Pottery Home & Garden Sdn. Bhd.

The composition of the entire Group remains unchanged except the above. However, this corporate exercise had no impact on its financial results of the Group.

## **12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no changes in contingent liabilities or contingent assets, since the last annual balance sheet as at 31 December 2003.

## **13. CAPITAL COMMITMENTS**

There were no 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 30 June 2004, the Group attained a profit before taxation of RM2.253 million with total revenue of RM26.654 million.

#### 15. COMMENTARY ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The corresponding quarter of the preceding year was from 27.05.2003 to 30.06.2003. As a result, the two quarters are not comparable. The Group's revenue for the current quarter ended 30 June 2004 was RM10.178 million as compared to preceding quarter of RM16.476 million. The decline in Group revenue was mainly due to the lower demand from export market during the low season.

Accordingly, the Group profit before tax of RM0.280 million was lower than the RM1.973 million achieved in the preceding quarter due to increase in production cost.

#### 16. COMMENTARY ON CURRENT YEAR PROSPECTS

The Company is positive about opportunities in the challenging transition of the industry.

#### 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

	Current Quarter Ended 30.06.2004 RM'000	Year to Date Ended 30.06.2004 RM'000
Income Tax	28	745
Deferred Tax	Nil	Nil
Tax expense for the period	<u>28</u>	<u>745</u>

The effective tax rate for the Group for the 2<sup>nd</sup> Quarter ended 30.06.2004 is higher than the statutory income tax rate. This was mainly due to certain subsidiaries expenses were not deductible for tax purposes.

**19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

There was no disposal of unquoted investments and/or properties during the financial period under review except for 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**

Corporate proposal as mentioned in Note 11 of this financial statement will be effected in quarter three (3) of 2004.

**b) Status Of Utilization Of Proceeds**

The variation of the utilization of listing proceeds amounting to RM2.103 million which was approved on 4<sup>th</sup> Annual General Meeting on 11<sup>th</sup> June 2004 will be completed.

<b>Purpose</b>	<b>Amount Raised RM'000</b>	<b>Utilization up to 31.12.2003 RM'000</b>	<b>Amount Unutilised RM'000</b>
Repayment of bank borrowing	642	642	-
Listing expenses	1,800	1,800	-
Capital expenditure	2,103	-	2,103
<b>TOTAL</b>	<b>4,545</b>	<b>2,442</b>	<b>2,103</b>

**22. BORROWINGS AND DEBT SECURITIES**

	<b>As At 30.06.2004 RM'000</b>
Secured Short-term Borrowings	
Bank overdrafts	1,349
Bankers' Acceptance	392

Hire-purchase payable	<u>264</u>
	2,005

Secured Long-term Borrowing

Hire-purchase payable	<u>252</u>
	<u>2,257</u>

### 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

The Directors had declared an interim dividend of 2 sen per share, less income tax of 28% for the year ending 31 December 2004. The entitlement date is 20 September 2004 and the payment date is 15 October 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.

	<b>3 months ended 30.06.2004</b>	<b>Current Year to Date 30.06.2004</b>
Net profit for the period (RM'000)	252	1,508
Weighted average number of ordinary shares in issue ('000)	80,000	80,000
Basic earnings per share (sen)	0.317	1.887

### 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' Board in accordance with the resolution made on the Seventh (7<sup>th</sup>) Board of Directors' meeting on 17 August 2004.

## **28. COMPARATIVE FIGURES**

The Group's acquisitions were completed on 27 May 2003. The corresponding quarter of the preceding year was from 27.05.2003 to 30.06.2003. As a result, the two quarters are not comparable.

By Order of the Board  
Dated: 17<sup>th</sup> day of August, 2004.