

expansion

IOI Corporation Berhad 9027-W Annual Report 2003

www.ioigroup.com

expansion • Over a relatively short period, IOI has established itself as a leading palm oil plantation group. However, we believe that in the long term, players with critical mass, integrated operations and a global presence will have the edge.

We are therefore pursuing two core strategies. First, we have continued to expand our oil palm hectareage so as to enhance our market standing and to further increase economies of scale. Second, we are making major downstream investments in oleochemicals and speciality oils and fats by acquiring leading companies in these areas.

These acquisitions are transforming us from a simple oil palm plantation entity into a truly integrated palm oil player.

We believe that these strategies will enable us to evolve with the global market and will provide the basis for continuous growth to the benefit of our stakeholders.

ourvision

... is to be a pre-eminent corporation in our core businesses by providing products and services of superior values and by sustaining consistent long-term growth in volume and profitability.

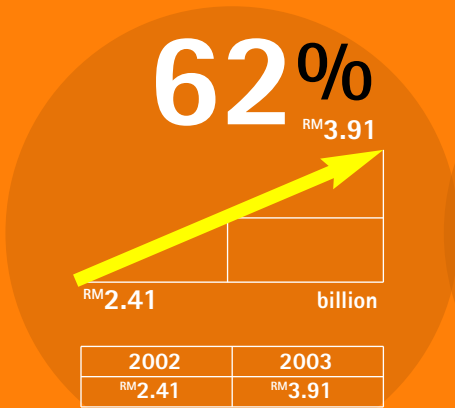
We shall strive to achieve responsible and balanced commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, having mutually beneficial relationship with our business associates, participating and contributing effectively towards nation building and the welfare and advancement of the society in which we operate.

ourkeystrategies

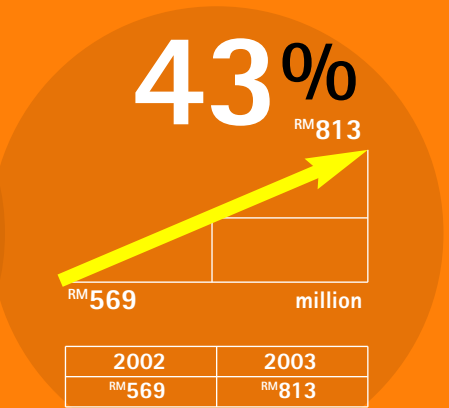
- plan and act with cohesive purpose towards Vision IOI
- focus on core businesses
- create value for all stakeholders
- market focused and oriented
- continuous improvement in quality, productivity and cost efficiencies

Key Indicators	2003	2002	2001	2000	1999
Financial					
Profit before taxation (RM'000)	812,626	569,311	456,744	501,647	462,190
Net profit attributable to shareholders (RM'000)	502,052	346,501	286,669	303,033	379,662
Shareholders' equity (RM'000)	3,530,192	2,891,919	2,494,974	2,254,090	2,023,754
Return on average equity (%)	15.64	12.86	12.07	14.17	20.60
Basic earnings per share (sen)	53.24	40.69	34.09	35.96	44.97
Gross dividend per share (%)	40.0	30.0	25.0	20.0	12.0
Plantation					
FFB production (MT)	2,396,231	1,920,692	1,926,808	1,565,807	1,279,149
Total oil palm area (Ha)	124,203	98,864	87,605	86,151	85,706
Property					
Sales value (RM'000)	428,897	483,522	435,965	372,137	303,526
Sales (unit)	1,963	2,090	3,564	2,417	2,227
Oleochemical					
Plant utilisation (%)	88	95	97	89	70
Sales (MT)	291,234	221,889	219,205	211,400	168,554

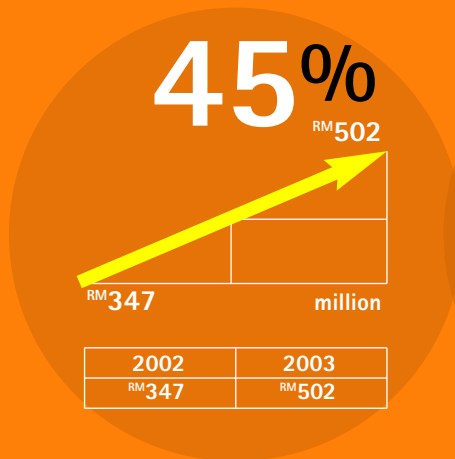
ourresults



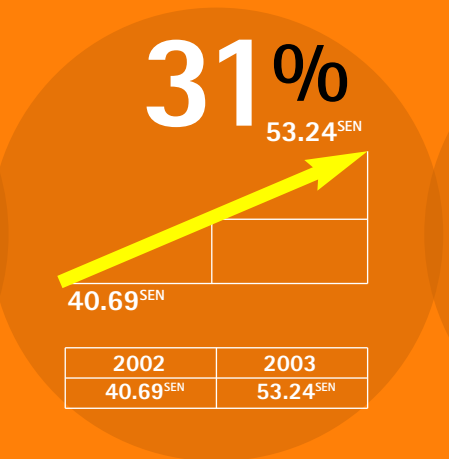
Revenue



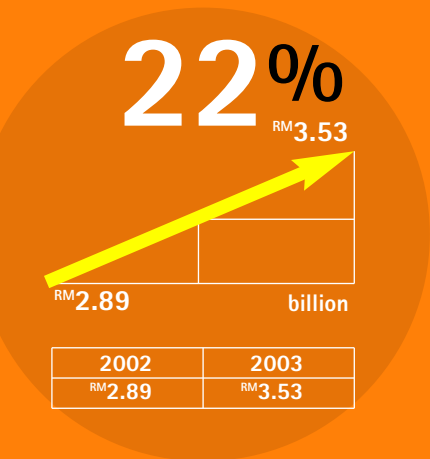
Profit Before Tax



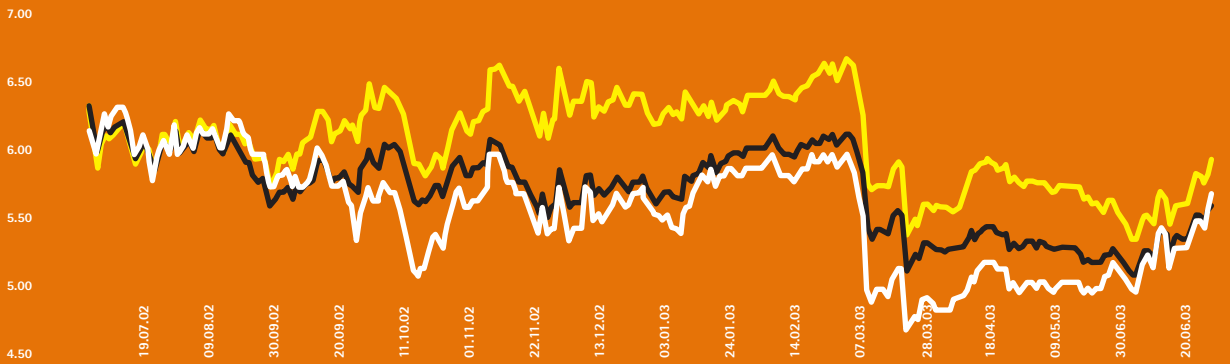
Net Earnings



EPS



Shareholders' Equity



IOI CORP Share Price IOI CORP vs KLCI IOI CORP vs KLPLN

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chairman's statement



Dear shareholders,

On behalf of the Board of Directors of IOI Corporation Berhad, I am pleased to present to you the Annual Report and Financial Statements of the Company and the Group for the financial year ended 30 June 2003.

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

OPERATING BACKGROUND

The Malaysian economy remained resilient throughout the four quarters that coincide with the Company's financial year under review despite the underlying challenging environment.

The overall economy continued its recovery in 2002 with a growth rate of 5.6% for the second half and ended the full year at 4.2% on the back of sustained domestic demand and a stronger than expected export performance. Despite the occurrence of destabilising events such as the SARS outbreak and the IRAQ war, the growth momentum was sustained by government's monetary and fiscal measures and by higher commodity prices, including palm products, which benefited a fairly wide section of consumers across the country.

The property market recovered strongly in the second quarter of year 2003 as the stock market picked up steam, and in a low interest rate environment categorised by abundant liquidity. The stimulus package announced by the Government on 1 June 2003 to help alleviate the negative impact of SARS on affected industries provided an added boost.

These favourable conditions, together with our growth strategies, enabled the Group to yet again scale new heights.



chairman's statement cont'd

FINANCIAL OVERVIEW

The Group registered another set of outstanding performance for the financial year under review. Group's revenue for FY 2003 increased by 62% over the preceding year to RM3.91 billion on the back of 36% higher palm oil prices and additional revenue contribution from the two new acquisitions, namely Loders Croklaan and Pamol estates.

Group's earnings before interest and taxation ("EBIT") increased by 43%, from RM605.7 million achieved in FY 2002 to RM867.8 million for FY 2003. Likewise, the Group's pre-tax and net profit attributable to shareholders, continued their growth trend to a new high of RM812.6 million and RM502.1 million respectively.

Consequently, the fully diluted EPS reflected a 32% growth to 50.49 sen as compared to 38.14 sen previously.

During the financial year, 177,928,072 and 6,897,000 new shares were issued pursuant to the exercise of rights under the Company's 1995/2003 Warrants (which expired on 30 April 2003) and Executive Share Option Scheme ("ESOS") respectively. Proceeds from the allotment of these new shares, together with net earnings for the year, exceeded the RM114.4 million cash outlay on buying back an additional 22,863,000 treasury shares and dividend pay-out and capital distribution totalling RM328.1 million during the year, thus resulting in a 22% increase in shareholders' fund to RM3.53 billion as at 30 June 2003.

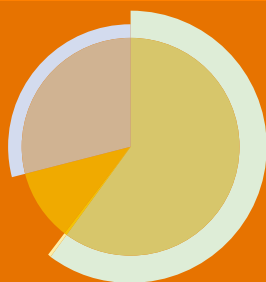


FINANCIAL OVERVIEW cont'd

Group's net gearing ratio however increased from 22.1% as at 30 June 2002 to 39.5% as at 30 June 2003 as the Group took on borrowings to finance its acquisitions of Loders Croklaan and the Pamol Group estates from Unilever. Nevertheless, the Group's net gearing ratio is at a conservative level, especially when measured against strong cash flows being generated from operations and the prevailing low interest rate environment.

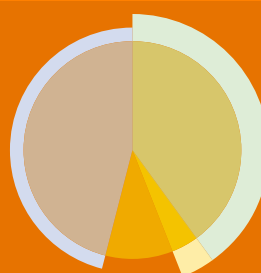
Segmental Contribution to Operating Profit

2003



- Plantation 60%
- Property 29%
- Resource-based Manufacturing 11%
- Others 0%

2002



- Plantation 40%
- Property 46%
- Resource-based Manufacturing 10%
- Others 4%

REVIEW OF RESULTS

Group operating results were significantly higher than in FY 2002 with positive improvements across all businesses and were especially driven by a 132% jump in plantation earnings.

In line with a 36% higher CPO price realised, a 34% increase in CPO output arising from the 5½ months contribution from the newly acquired Pamol estates as well as a 12% improvement in CPO oil yield, plantation segment's operating profit increased by 132% to RM530.3 million for the financial year under review, up from RM229.0 million the previous year.

On our property business, the lacklustre property market in the first three quarters of the financial year under review affected sales take-up on new launches. The housing sector however experienced a strong rebound in the fourth quarter as sentiments turned positive with the end of the SARS outbreak and the Iraq war. The overall operating profit achieved for property development and investment activities for FY 2003 was RM255.2 million, marginally lower than the RM257.8 million achieved in the previous year. Profits from development was in fact RM10.3 million or 4% higher than the previous year but it was offset by lower contribution from the property investment sector because of a revaluation deficit of RM14.1 million in respect of an investment property in Singapore.

With the rationalisation exercise undertaken during the previous financial year which saw the disposal of the Group's interests in industrial gas business and a steel piping company both being non-palm related activities, the Group's manufacturing activities now comprise palm oil refining, oleochemicals, specialty oils and fats which are all palm-based, down-stream manufacturing activities.

REVIEW OF RESULTS cont'd

EBIT contribution from the Group's manufacturing segment, increased by 22% to RM123.5 million for FY 2003, up from RM101.0 million for the previous financial year. The increase was attributable mainly to the oleochemical sub-segment. The contribution of newly acquired Loders Croklaan was however not significant as its results for the period was affected by lower margins due to unfavourable market conditions as well as one-off charges.

A more detail review of the Group's performance is provided under the section on "Management's Discussion and Analysis" in this Annual Report.

DIVIDENDS

In line with the outstanding performance of the Group, the Board has declared a much higher amount of dividends for FY 2003 after taking into account the financial position and cash requirement of the Group.



chairman's statement cont'd

DIVIDENDS cont'd

The first interim dividend for FY 2003 of 20% (FY 2002 - 12%) less tax was paid to shareholders on 25 April 2003, and your Board had on 15 August 2003 declared a second interim dividend of 20% tax exempt (FY 2002 - 18% taxable) payable to entitled shareholders on 18 September 2003. The two interim dividends will result in a total dividend pay-out of RM179.4 million for the financial year ended 30 June 2003, a 84% increase over the total dividend pay-out of RM97.2 million for the previous financial year.

In addition to the cash dividends, the Company had also made a capital distribution of 38,583,497 Palmco shares for free to shareholders of the Company in October 2002. A sum of RM171.7 million was debited against the Company's share premium account in respect of the capital distribution.

OTHER CORPORATE DEVELOPMENT AND GROWTH STRATEGIES

FY 2003 was a very busy and eventful year for the Group. Apart from being a successful year on the operations front, your Group also successfully resolved the listing status and relisted Palmco Holdings Berhad, completed two major acquisitions, namely Loders Croklaan, a global leader in specialty fats, and the "Pamol Group" plantations comprising about 23,045 hectares of oil palm and two CPO mills for a combined acquisition cost of about RM1.43 billion. Apart from these, the Company has also entered into a conditional agreement to acquire five plantation companies which own about 21,722 hectares of oil palm and a CPO mill in Sabah for a total consideration of RM607.7 million.



OTHER CORPORATE DEVELOPMENT AND GROWTH STRATEGIES cont'd

The proposed acquisition of the aforesaid five plantation companies is a related party transaction that is subject to the approval of shareholders who are not related parties involved. As recently announced, the proposal has been approved by the Securities Commission with a downward revision in the total consideration payable by about 12% to RM535.6 million. Details of the proposals, together with the views and recommendations of the financial adviser and the independent adviser to minority shareholders will be set out in the circular to shareholders for an EGM which should most probably have been held by the time we meet at this coming AGM.

IOI's vision and business strategy is, I believe, well known to shareholders. It may, however, be helpful to recap and to elaborate on the strategic objectives of the above acquisitions in the context of our vision and the anticipated trends in the market place.

Vision IOI is, by design open ended and sets a moving target. As a first milestone, we have, over a relatively short period of time, established ourselves as a leading oil palm plantation group in the country as measured by total quantity of palm oil produced, oil yields and profitability. Looking ahead, the long term prospects for the oil palm industry remains bright. However, we foresee that with increasing production, increased competition, more sophisticated markets and increasing concerns about issues such as "traceability" in the food supply chain, bigger-sized players with integrated operations, traceable supply chain, and a global presence will have distinct advantages. Hence, in order to ensure that we position ourselves as the preferred supplier to our global customers and to remain competitive in an evolving market, we have in recent years:

- i Continued to expand our oil palm hectareage to establish our market standing and to further enhance economies of scale; and
- ii Made substantial investments downstream into oleochemicals and specialty fats and oils through the acquisitions of the Palmco Group in 1997 and the Loders Croklaan Group in FY 2003. Both these Groups are leading players in their respective fields. These acquisitions have subtly but very significantly transformed IOI from an oil palm plantation entity into an integrated palm oil player. These downstream businesses provide the strategic hedge for the plantation business as well as new applications, new geographical markets bases and value added for the Group's palm oil produce.

The Palmco Group has enjoyed tremendous growth since coming into the fold of IOI but for newly acquired Loders Croklaan, much remains to be done over the next 2 years to integrate, synergise and enhance its business potential.

chairman's statement cont'd

OTHER CORPORATE DEVELOPMENT AND GROWTH STRATEGIES cont'd

Nevertheless, I am very positive that it will be much better positioned than before for its traditional business. Loders Croklaan, with its cutting edge oils and fats expertise and market standing is also playing a lead role in developing new applications and new markets for palm oil.

All the above acquisitions have or will add significantly to the income generating capacities of the Group and will provide the basis for continuous growth in coming years.

HUMAN RESOURCE MANAGEMENT

In tandem with the Group's focus on increasing its business efficiencies and human capital effectiveness, human resource training and development continued to receive prime attention and emphasis during FY 2003.

The training and development programmes conducted were multi-faceted, competency-based and cut across various operating departments within the Group. Key areas such as customer service training, product and selling skills reinforcement, basic estate management/practices and agronomic-related courses were ran in-house as and where relevant to both old and new staff.

The Property Quality Management series continued into its second year of running and the Property Division was indeed proud to have had achieved the prestigious MS ISO 9001:2000 Award in its maiden attempt in 2003.

The Plantation Cadetship Programme continued to attract able and willing young graduates who wish to develop a long term challenging vocation in estate management and operations with the IOI Group. The IOI Research Centre in Batang Melaka again served as the training ground to inculcate the various aspects of plantation management to these aspiring young planters, infusing classroom lectures with real-life examples and practices in the fields.

Core operating processes and procedures continued to be reviewed, revised and realigned to further enhance the overall yield, performance standards and future growth of the Group's businesses. No effort was spared to ensure that the management and staff worked as a coordinated and purpose-driven team in achieving the Group's targets and objectives as set out in its Vision IOI.

SOCIAL CONTRIBUTIONS

As a responsible corporate citizen, the Group continued to fund and support many worthy charitable causes and institutions that foster the Malaysian ideals of a caring and sharing society. Through the scholarships and educational grants extended by the Yayasan Tan Sri Dato' Lee Shin Cheng Foundation, bright young students especially those who are from estate family background, get to fulfil their aspirations of excelling in their tertiary studies even to the post-graduate level. Young school achievers who excelled in their secondary and primary public examinations were also given monetary awards to encourage them to continue to study hard and excel in their academic pursuits, thereby creating a critical base for new knowledge workers and experts for Malaysia's continued advancement.

The Company-sponsored Kelab Keluarga IOI has had a most eventful and active year in 2003, providing many avenues for closer interaction and socialisation among the Group's employees and their families away from the workplace. Such fun-filled sports and family activities helped to foster strong team spirit among the Group's employees besides cultivating intra-group solidarity and cohesiveness between different operating units.



PROSPECTS

As mentioned, we have invested substantially and in a low interest rate environment, to enlarge the income generating capacities of our integrated palm oil business to ensure sustainable growth in coming years. The focus for this year will be to ensure that the integration process for the new acquisitions continues smoothly, that concerted efforts on enhancement in productivity and cost efficiencies at all levels continue and that market opportunities are fully capitalised on.

Whilst palm oil prices are expected to be softer, the volume growth in production should be more than sufficient to offset the impact of lower prices and to sustain a decent growth in plantation earnings. Conversely, on the downstream side, with softer prices, margins should improve to boost manufacturing earnings. On the housing market front, the positive outlook and market upturn experienced in the fourth quarter of FY 2003 is expected to be sustained against a backdrop of continued low interest rates and better economic growth prospects. Overall, your Board is therefore confident of an even better operating performance for the current financial year.



ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my highest appreciation to the management team and all members of the IOI family for their dedication and commitment. Our outstanding performance and the Group's continuous growth are the result of a concerted effort and contribution of the entire IOI team. I wish also to thank our valued customers, business partners, associates, bankers for their support and loyalty without which our success will not be possible and we look forward for their continued trust and support to the Company and the Group.

I would also like to extend my heartfelt thanks to the relevant government authorities for their assistance and support and my gratitude to my fellow directors for their invaluable support and advice.

Finally, my special thanks to our shareholders, for your continued support and confidence in the Group and we assure you that we will continue to work to uphold your trust in us.

Thank you.

Tan Sri Dato' Lee Shin Cheng

Executive Chairman



A photograph of three people, two women and one man, sitting at a table and smiling. The woman on the left is wearing a light-colored patterned top and a pearl necklace. The woman in the middle is holding a glass of red wine and wearing a dark patterned top. The man on the right is wearing a white shirt. In the foreground, there is a plate of food, including what looks like fried items and a small bowl of red berries. The background is a blurred view of greenery and a building.

boostingshareholdersreturns

"During the year, we continued to implement strategies aimed at sustaining long term growth. Synergistic acquisitions that create value, increase income generating capacities and enhance the quality of future income stream were made. We continue to improve on productivity and cost efficiencies to ensure we are ahead on profitability in our industries. We continue to enhance returns on equity by increasing dividend payouts, buying back shares when appropriate and by being conducive for capital growth."

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting of the Company will be held at Putrajaya I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Tuesday, 21 October 2003 at 11.00 a.m. for the following purposes:

AGENDA

- 1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2003 and the Reports of the Directors and Auditors thereon.
- 2 To re-elect the following Directors retiring by rotation pursuant to Article 101 of the Company's Articles of Association:
 - a Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
 - b Mr Lee Cheng Leang
- 3 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT Mr Chan Fong Ann, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and to hold office until the conclusion of the next Annual General Meeting."
- 4 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT the increase in the payment of Directors' fees to RM266,000, to be divided among the Directors in such manner as the Directors may determine, be and is hereby approved."
- 5 To re-appoint BDO Binder, the retiring auditors and to authorise the Directors to fix their remuneration.

AGENDA cont'd

6 As special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6.1 Authority To Directors To Allot And Issue Shares Pursuant To Executive Share Option Scheme

"THAT pursuant to the Company's Executive Share Option Scheme ("the Scheme") and the extension thereon, as approved by the Ordinary Resolution passed at the Extraordinary General Meeting held on 8 March 1995 and 27 March 2000 respectively, the Directors of the Company be and are hereby authorised in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."

6.2 Authority To Directors To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised with full powers to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as they may deem fit subject always to the approval of the relevant authorities being obtained for such issue and provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital for the time being of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for the additional shares so issued."

6.3 Proposed Renewal Of Existing Share Buy-Back Authority

"THAT, subject to compliance with all applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to utilise up to ten percent (10%) of the Group's latest audited shareholders' equity, which comprises the issued and fully paid-up share capital and reserves of the Group to purchase up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company ("Proposed Purchase") as may be determined by the Directors of the Company from time to time through the Kuala Lumpur Stock Exchange ("KLSE") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company and shall be backed by the latest audited retained earnings and share premium reserves of the Company;

6.3 Proposed Renewal Of Existing Share Buy-Back Authority cont'd

AND THAT at the discretion of the Directors of the Company, the shares of the Company to be purchased are to be cancelled and/or retained as treasury shares and distributed as dividends or resold on the KLSE;

AND THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities and/or do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company;

AND THAT such authority shall commence immediately upon passing of this resolution until:

- i the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions;
- ii the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- iii revoked or varied by ordinary resolution of the shareholders of the Company at a general meeting,

whichever is earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the KLSE Listing Requirements or any other relevant authorities."

6.4 Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions

"THAT approval be and is hereby given for the renewal of Shareholders' Mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for day-to-day operations involving the interest of Directors, Major Shareholders or persons connected with the Directors and/or Major Shareholders of the Company and its subsidiaries ("Related Parties"), as detailed in Section 3.4 of the Circular to Shareholders of the Company dated 29 September 2003 subject to the following:

- a the transactions are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

6.4 Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions *cont'd*

- b disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year,

AND THAT authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution until:

- i the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- ii the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

7 To transact any other business of which due notice shall have been given.

By Order of the Board

Lee Ai Leng
Yap Chon Yoke
Secretaries

Puchong, Selangor Darul Ehsan
29 September 2003

notice of annual general meeting cont'd

Notes

- 1 A member may appoint any person to be his proxy and the provisions of section 149(1)(b) of the Act shall not apply to the Company.
- 2 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- 3 If a member appoints two proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
- 4 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
- 5 An instrument appointing a proxy must be deposited at the Company's registered office at No.7-10, Jalan Kenari 5, Bandar Puchong Jaya, Off Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
- 6 Explanatory Statement on Special Business

i Authority To Directors To Allot And Issue Shares Pursuant To Executive Share Option Scheme

The purpose of this ordinary resolution is to enable the Directors of the Company to allot and issue shares to those executives who have exercised their options under the Executive Share Option Scheme.

ii Authority To Directors To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

The ordinary resolution proposed under item 6.2 of the Agenda, if passed will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

iii Proposed Renewal Of Existing Share Buy-Back Authority

The ordinary resolution proposed under item 6.3 of the Agenda, if passed will empower the Company to purchase up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company through the Kuala Lumpur Stock Exchange. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

iv Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions

The ordinary resolution proposed under item 6.4 of the Agenda is to renew the Shareholders' Mandate granted by the Shareholders of the Company at the previous Annual General Meeting held on 18 October 2002. The proposed renewal of Shareholders' Mandate will enable the Company and its subsidiaries to enter into any of the Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations involving the interest of Directors, Major Shareholders or persons connected with the Directors and/or Major Shareholders of the Company and its subsidiaries ("Related Parties"), subject to the transactions being in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The details of the proposal are set out in the Circular to Shareholders dated 29 September 2003.

statement accompanying notice of annual general meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of the Kuala Lumpur Stock Exchange

1 Directors standing for re-election/re-appointment

a The Directors retiring by rotation and standing for re-election pursuant to Article 101 of the Articles of Association of the Company are:

- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
- Mr Lee Cheng Leang

b The Director standing for re-appointment under Section 129(2) of the Companies Act, 1965 is:

- Mr Chan Fong Ann

The profile of the above-named Directors is set out in the section entitled "Profile of Directors" on page 28 to 29. Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 90.

2 Date, Time and Venue of the Annual General Meeting

The Thirty-Fourth Annual General Meeting of IOI Corporation Berhad will be held as follows:

Date • Tuesday, 21 October 2003

Time • 11.00 a.m.

Venue • Putrajaya I (Level III)
Putrajaya Marriott Hotel
IOI Resort, 62502 Putrajaya
Malaysia





boosting**job**fulfilment

"When it comes to our people, our philosophy can be summarised in four words: opportunity, empowerment, motivation and reward. We seek to create a challenging environment. An environment that challenges our people to develop their potential to the fullest. That builds their skills and empowers them to take initiative and responsibility. That motivates them to achieve their personal best. That recognises and rewards their achievements."

corporate information

Board of Directors

Tan Sri Dato' Lee Shin Cheng

PSM, DPMS, JP

Executive Chairman

Dato' Lee Yeow Chor

DSAP

Executive Director

Dato' Yeo How

DIMP

Executive Director

Lee Cheng Leang

Executive Director

Datuk Hj Mohd Khalil b

Dato' Hj Mohd Noor

PJN, DSPN, JSM

Independent Non-Executive Director

Datuk Khalid b Hj Husin

PJN, DIMP, JMN, KMN, BJB

Independent Non-Executive Director

Chan Fong Ann

Independent Non-Executive Director

Audit Committee

Datuk Hj Mohd Khalil b

Dato' Hj Mohd Noor *

PJN, DSPN, JSM

Chairman

Datuk Khalid b Hj Husin *

PJN, DIMP, JMN, KMN, BJB

Chan Fong Ann *

Dato' Yeo How

DIMP

(MIA 4368)

** Independent Non-Executive Directors*

Secretaries

Lee Ai Leng (LS 005809)

Yap Chon Yoke (MAICSA 0867308)

Registered Office

7-10 Jalan Kenari 5

Bandar Puchong Jaya

Off Jalan Puchong

47100 Puchong

Selangor Darul Ehsan

Tel : 03 8075 2288/8075 1155

Fax : 03 8075 3997

Auditors

BDO Binder, Chartered Accountants

15th Floor, Wisma Hamzah Kwong Hing

1 Leboh Ampang, 50100 Kuala Lumpur

Tel : 03 2055 8888

Fax : 03 2078 7045

Registrar

PFA Registration Services Sdn Bhd

1301, Level 13, Uptown 1

No. 1, Jalan SS21/58

Damansara Uptown

47400 Petaling Jaya

Selangor Darul Ehsan

Tel : 03 7725 4888

Fax : 03 7722 2311

Legal Form and Domicile

Public Limited Liability Company

Incorporated and Domiciled in

Malaysia

Stock Exchange Listing

Main Board of

The Kuala Lumpur Stock Exchange

Websites

www.ioigroup.com

www.myioi.com

www.palmco-holdings.com

www.croklaan.com

Email Address

corp@ioigroup.com

boardofdirectors



Dato' Yeo How
Executive Director

Dato' Lee Yeow Chor
Executive Director



Tan Sri Dato' Lee Shin Cheng
Executive Chairman



Lee Cheng Leang
Executive Director



Chan Fong Ann
Independent Non-Executive Director



Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Independent Non-Executive Director



Datuk Khalid b Hj Husin
Independent Non-Executive Director

profile of directors

Tan Sri Dato' Lee Shin Cheng

Executive Chairman

Malaysian, aged 64

Tan Sri Dato' Lee Shin Cheng was first appointed to the Board on 21 July 1981. As Executive Chairman, he actively oversees the operations of the Group. He is an entrepreneur with considerable experience in the plantation and property development industries. In recognition of Tan Sri's immense contributions to the evolving needs and aspirations of the property industry in Malaysia, Tan Sri was bestowed the singular honour of FIABCI Malaysia Property Man of the Year 2001 Award. In February 2002, Tan Sri was conferred the Honourary Doctorate Degree in Agriculture by Universiti Putra Malaysia in recognition of his contributions to the palm oil industry. Tan Sri is also active in providing his advice and guidance to a large number of industry groupings, associations and social organisations. He serves as, among others, a Board Member of Universiti Putra Malaysia and Malaysian Palm Oil Board (MPOB), the Adviser to the KL & Selangor Chinese Chamber of Commerce and Industry, a Council Member of Malaysian Palm Oil Association (MPOA), a member of Malaysia-China Business Council, the Honourary President of Association of Eng Choon Societies of Malaysia and Federation of Hokkien Association of Malaysia.

Tan Sri is a member of Remuneration Committee of the Company. He is also the Executive Chairman of IOI Properties Berhad and Palmco Holdings Berhad.

Tan Sri is the father of Dato' Lee Yeow Chor and the brother of Lee Cheng Leang, both Executive Directors of the Company.

Tan Sri is deemed in conflict of interest with the Company by virtue of his interest in certain privately-owned companies which are also involved in plantation and property development businesses. However, these privately-owned companies are not in direct competition with the business of the Company. Except for certain recurrent related party transactions of revenue nature which are necessary for day-to-day operations of the Company and its subsidiaries and for which Tan Sri is deemed to be interested as disclosed under Other Information section of the Annual Report, there are no other business arrangements with the Company in which he has personal interests.

Tan Sri attended eight out of the nine Board Meetings held during the financial year ended 30 June 2003.

Dato' Lee Yeow Chor**Executive Director**

Malaysian, aged 37

Dato' Lee Yeow Chor was first appointed to the Board on 25 April 1996. He graduated with a LLB (Honours) from King's College, University of London and was called as a Barrister at Gray's Inn. He also holds a Postgraduate Diploma in Finance and Accounting from the London School of Economics. As a Group Executive Director, he is actively involved in overseeing the various business operations of the Group. Prior to joining the IOI Group, he served in various capacities in the Attorney General's Chambers and Judiciary Department for approximately four years. His last posting at the Judiciary Department was as a Magistrate. Dato' Lee currently serves as the National Secretary-General of the Malaysia Real Estate & Housing Developers' Association (REHDA), a Council Member of the Malaysian Palm Oil Association (MPOA) and a Council Member of the Malaysian Association of Hotel Owners.

He is also an Executive Director of IOI Properties Berhad and Palmco Holdings Berhad.

Dato' Lee Yeow Chor is the eldest son of Tan Sri Dato' Lee Shin Cheng.

Dato' Lee Yeow Chor is deemed in conflict of interest with the Company by virtue of his interest in certain privately-owned companies which are also involved in plantation and property development businesses. However, these privately-owned companies are not in direct competition with the business of the Company. Except for certain recurrent related party transactions of revenue nature which are necessary for day-to-day operations of the Company and its subsidiaries and for which Dato' Lee is deemed to be interested as disclosed under Other Information section of the Annual Report, there are no other business arrangements with the Company in which he has personal interests.

He attended eight out of the nine Board Meetings held during the financial year ended 30 June 2003.

Dato' Yeo How**Executive Director**

Malaysian, aged 47

Dato' Yeo How was first appointed to the Board on 25 April 1996. He is a Certified Public Accountant and a member of the Malaysian Institute of Accountants. As a Group Executive Director and apart from his principal responsibilities as Chief Financial Officer, he also oversees the Group's commodity marketing and palm-based manufacturing business units. He has considerable experience in corporate finance and general management. He has been with the IOI Group for the past 20 years and, prior to joining the IOI Group in 1983, he was with a public accounting firm for 5 years. Dato' Yeo How is also a Council Member of the Malaysian Institute of Certified Public Accountants (MICPA).

Dato' Yeo How is a member of the Audit Committee. He is also an Executive Director of IOI Properties Berhad and Palmco Holdings Berhad.

He attended all the nine Board Meetings held during the financial year ended 30 June 2003.

Lee Cheng Leang

Executive Director

Malaysian, aged 55

Lee Cheng Leang was first appointed to the Board on 21 July 1981. He has considerable experience in the hardware, chemical and industrial gas industry.

Lee Cheng Leang is the brother of Tan Sri Dato' Lee Shin Cheng.

He attended all the nine Board Meetings held during the financial year ended 30 June 2003.

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor

Independent Non-Executive Director

Malaysian, aged 62

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor was first appointed to the Board on 18 February 2000. He holds a B.A. (Honours) in Economics & Islamic Studies from University of Malaya and Diploma in Commercial Policy from Geneva. He is a former public servant and his last post in the public service was as the Auditor General of Malaysia (1994-2000). Some of the other posts he held during his 36 years of distinguished service in the public sector were as Secretary of the Foreign Investment Committee, Deputy Secretary General of the Ministry of Trade and Industry and Secretary General of the Ministry of Works.

Datuk Hj Mohd Khalil is also the Chairman of the Audit Committee, a member of the Remuneration Committee and Nominating Committee of the Company. He is also the Chairman of TIME Engineering Berhad.

He attended all the nine Board Meetings held during the financial year ended 30 June 2003.

Datuk Khalid b Hj Husin
Independent Non-Executive Director
Malaysian, aged 57

Datuk Khalid b Hj Husin was first appointed to the Board on 26 July 2001. He graduated with a B.A. (Honours) in History (International Relations) & Diploma in Public Administration from University of Malaya and MSc (Town Planning) from University of Wales, U.K. He has had an illustrious career in the civil service where he served in various capacities in the Ministries and government agencies such as Ministry of Public Enterprises, Ministry of Entrepreneur Development and Ministry of Education. His last post before retirement was as Secretary General of the Ministry of Housing and Local Government.

Datuk Khalid is also a member of the Audit Committee and Nominating Committee of the Company.

He attended eight out of the nine Board Meetings held during the financial year ended 30 June 2003.

Chan Fong Ann
Independent Non-Executive Director
Malaysian, aged 73

Chan Fong Ann was first appointed to the Board on 27 June 1985. He was a member of the Incorporated Society of Planters (1979-1995). He is a businessman with considerable experience in the plantation industry. He also hold directorships in several private companies.

Chan Fong Ann is actively involved in providing advice and guidance to associations and social organisations in Muar such as Hakka Association, Seu Teck Sean Tong, Chong Hwa Associated Chinese Schools, Chinese Chamber of Commerce, Chinese Association and Chung Hwa Primary School.

Chan Fong Ann is also a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

He attended all the nine Board Meetings held during the financial year ended 30 June 2003.

Notes

- 1 Save as disclosed above, none of the Directors have:
 - a any family relationship with any directors and/or substantial shareholders of the Company; and
 - b any conflict of interest with the Company.
- 2 None of the Directors have any conviction for offences (other than traffic offences) within the past 10 years.



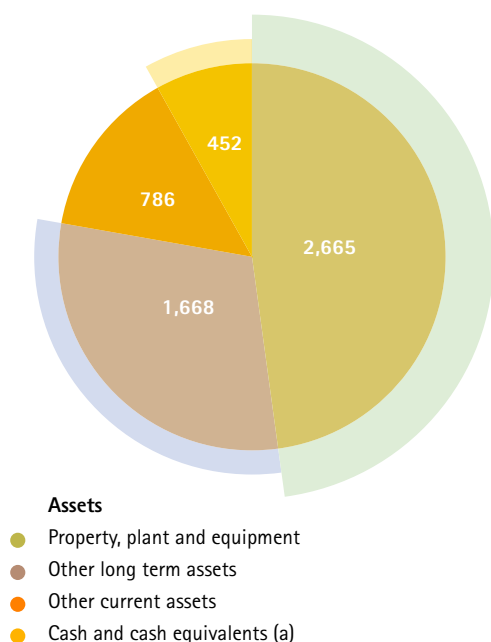
boosting customersatisfaction

"Our customers are demanding. Quite rightly. We recognise that the only way we can attract and retain customers is by exceeding their expectations. Sometimes, that is not easy. But we try by consistently delivering the fundamentals: the right product at the right price at the right time, delivered with fast, friendly, effective customer service. Without that we're nowhere. For specialised products, we focus on providing innovative technical solutions. We want our customers to in turn be able to satisfy their demanding customers. We can only be ahead when our customers are too."



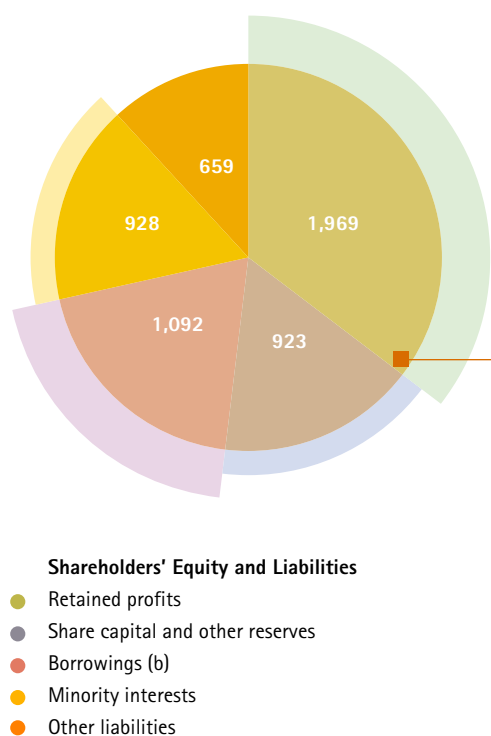
groupfinancialoverview

Balance Sheet As At 30 June 2002 (RM million)

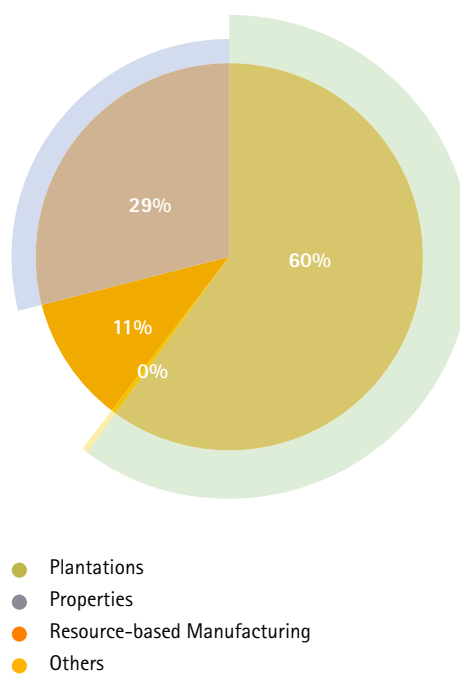


Cash Flow for The Financial Year Ended 30 June 2003 (RM million)

Net operating cash flow	777
Capital expenditure, net of disposal	(193)
Free cash flow from operation	584
Proceeds from shares issued	604
Proceeds from disposal of investments, net of payments for other investments	90
Acquisition of Loders Croklaans, net of cash balance and borrowings	(831)
Acquisition of Pamol Plantations, net of cash balance and borrowings	(531)
Acquisition of additional share in Palmco	(110)
Investment in development land bank	(64)
Share repurchases	(115)
Interest payments	(86)
Dividend payments	
– Shareholders of the Company	(135)
– Shareholders of subsidiary	(38)
Net increase in net borrowings	(632)
Net borrowings as at 30.06.02	(640)
Translation difference	(122)
Net borrowings as at 30.06.03	(1,394)



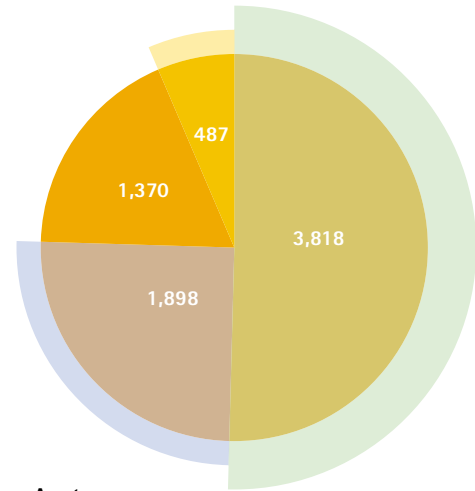
Segmental Contributions To Operating Profit (RM million)



Plantations	530	/	60%
Properties	255	/	29%
Resource-based Manufacturing	96	/	11%
Others	2	/	0%
	883	/	100%

Net borrowings = (b) – (a) = RM640 million, Net gearing = 22.1%

Balance Sheet As At 30 June 2003 (RM million)

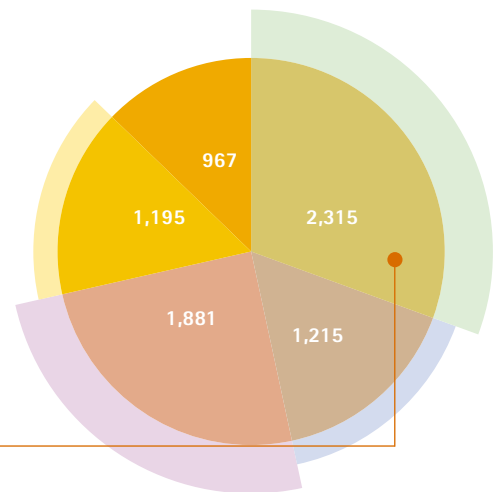


Assets

- Property, plant and equipment
- Other long term assets
- Other current assets
- Cash and cash equivalents (a)

Retained Profit for The Financial Year Ended 30 June 2003 (RM million)

● Segmental contributions	883
Unallocataed corporate expenses	(56)
Operating profit	827
Net interest expense	(55)
Share of profit of associates	41
Profit before taxation	813
Taxation	(161)
Profit after taxation	652
Minority interest	(150)
Net profit for the financial year	502
Dividends paid	(135)
Capital distribution	(21)
Retained profit for the financial year	346
● Retained profits as at 30.06.02	1,969
Retained profits as at 30.06.03	2,315



Shareholders' Equity and Liabilities

- Retained profits
- Share capital and other reserves
- Borrowings (b)
- Minority interests
- Other liabilities

● Net borrowings = (b) - (a) = RM1,394 million, Net gearing = 39.5%

group performance highlights

In RM'000

	2003	2002	+ / (-) %
FINANCIAL PERFORMANCE			
Revenue	3,907,871	2,410,500	62
Profit before interest and taxation	826,634	555,295	49
Profit before taxation	812,626	569,311	43
Net operating profit after taxation ("NOPAT")	721,885	496,153	45
Net profit attributable to shareholders	502,052	346,501	45
Average shareholders' equity	3,211,056	2,693,447	19
Average capital employed	6,101,274	4,766,606	28
Operating margin (%)	21.15	23.04	(8)
Return on average equity (%)	15.64	12.86	22
NOPAT/Average capital employed (%)	11.83	10.41	14
Basic earnings per share (sen)	53.24	40.69	31
Dividend per share – gross (sen)	20.0	15.0	33
Net tangible assets per share (sen)	302	312	(3)
Dividend cover (number of times)	2.80	3.56	(21)
Interest cover (number of times)	7.95	8.17	(3)
PLANTATION PERFORMANCE			
FFB production (MT)	2,396,231	1,920,692	25
Yield per mature hectare (MT)	25.10	22.91	10
Mill production (MT)			
Crude palm oil	597,513	477,794	25
Palm kernel	143,307	118,209	21
Oil extraction rate (%)			
Crude palm oil	21.82	21.28	3
Palm kernel	5.23	5.26	(1)
Average selling price (RM/MT)			
Crude palm oil	1,461	1,075	36
Palm kernel	711	522	36
Operating profit (RM/mature hectare)	5,576	2,834	97
PROPERTY PERFORMANCE			
Sales value	428,897	483,522	(11)
Sales (unit)	1,963	2,090	(6)
Average selling price	218	231	(6)
Revenue	509,857	538,809	(5)
Operating profit	241,907	231,642	4
Operating profit (per unit)	123	111	11
Progress billings	418,735	498,015	(16)
OLEOCHEMICAL PERFORMANCE			
Plant utilisation (%)	88	95	(7)
Sales (MT)	291,234	221,889	31

group quarterly results

In RM'000

	1st Quarter	%	2nd Quarter	%	3rd Quarter	%	4th Quarter	%	FY 2003	%
Revenue	706,088	18	940,371	24	1,123,522	29	1,137,890	29	3,907,871	100
Operating profit	195,370	24	218,795	26	171,530	21	240,939	29	826,634	100
Interest income	3,339	20	4,544	27	5,414	32	3,679	21	16,976	100
Finance cost	(10,656)	15	(14,933)	21	(25,644)	35	(20,967)	29	(72,200)	100
Share of results of associated companies	6,820	16	10,951	27	8,494	21	14,951	36	41,216	100
Profit before taxation	194,873	24	219,357	27	159,794	20	238,602	29	812,626	100
Taxation	(39,478)	25	(39,423)	24	(39,204)	24	(42,988)	27	(161,093)	100
Profit after taxation	155,395	24	179,934	28	120,590	18	195,614	30	651,533	100
Minority interest	(27,878)	19	(35,246)	23	(34,133)	23	(52,224)	35	(149,481)	100
Net profit attributable to shareholders	127,517	25	144,688	29	86,457	17	143,390	29	502,052	100
Earnings per share (sen)										
Basic	14.39		15.82		9.30		13.77		53.24	
Diluted	13.13		14.73		8.74		13.70		50.49	
Operating profit on segmental basis										
Plantations	112,339	21	161,409	31	106,894	20	149,639	28	530,281	100
Property development	51,946	22	46,576	19	51,371	21	92,014	38	241,907	100
Property investment	8,572	65	7,334	55	6,570	49	(9,181)	-69	13,295	100
Manufacturing	23,247	24	22,832	24	24,228	25	25,234	27	95,541	100
Others	827	53	(2,062)	-133	(3,396)	-220	6,177	400	1,546	100
Segment results	196,931	22	236,089	27	185,667	21	263,883	30	882,570	100
Unallocated corporate expenses	(1,561)	3	(17,294)	31	(14,137)	25	(22,944)	41	(55,936)	100
Operating profit	195,370	24	218,795	26	171,530	21	240,939	29	826,634	100

financial calendar

Financial Year End	30 June 2003	Payment of Dividends	
Announcement of Results		First Interim	
1st Quarter	15 November 2002	Declaration	18 February 2003
2nd Quarter	18 February 2003	Book closure	15 April 2003
3rd Quarter	16 May 2003	Payment	25 April 2003
4th Quarter	15 August 2003	Second Interim	
Notice of Annual General Meeting	29 September 2003	Declaration	15 August 2003
Annual General Meeting	21 October 2003	Book closure	5 September 2003
		Payment	18 September 2003

five-year financial highlights

In RM'000

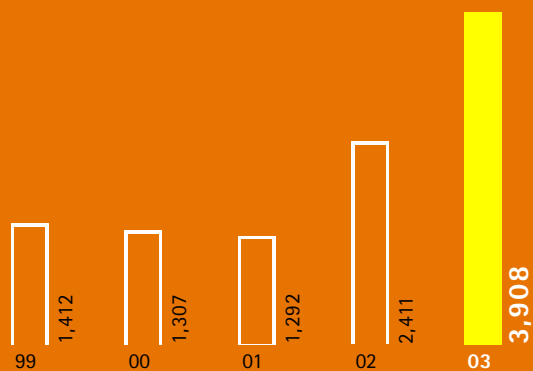
	2003	2002	2001	2000	1999
RESULTS					
Revenue	3,907,871	2,410,500	1,291,578	1,306,685	1,411,917
Profit before taxation	812,626	569,311	456,744	501,647	462,190
Taxation	(161,093)	(115,537)	(99,005)	(121,654)	216
Profit after taxation	651,533	453,774	357,739	379,993	462,406
Minority interests	(149,481)	(107,273)	(71,070)	(76,960)	(82,744)
Net profit attributable to shareholders	502,052	346,501	286,669	303,033	379,662
GROUP ASSETS					
Property, plant and equipment	3,817,976	2,665,410	2,116,561	1,953,434	1,836,892
Associates	231,379	258,463	409,271	587,786	590,879
Investment properties	534,243	522,456	489,519	380,940	361,882
Other long term investments	31,363	18,191	33,276	27,501	15,353
Land held for development	650,029	660,074	524,333	512,283	604,355
Other assets	450,783	208,939	117,931	71,354	73,163
Current assets	1,870,261	1,265,735	1,006,213	827,907	603,578
Total assets	7,586,034	5,599,268	4,697,104	4,361,205	4,086,102
Current liabilities	(896,442)	(1,133,531)	(901,600)	(903,693)	(798,496)
	6,689,592	4,465,737	3,795,504	3,457,512	3,287,606
FINANCED BY					
Share capital	540,400	447,988	425,026	423,943	422,468
Reserves	2,989,792	2,443,931	2,069,948	1,830,147	1,601,286
Shareholders' equity	3,530,192	2,891,919	2,494,974	2,254,090	2,023,754
Minority interests	1,195,425	928,336	661,013	569,973	471,283
Deferred income	-	-	-	207,603	237,261
Long term liabilities	1,634,094	433,251	507,357	394,628	532,236
Deferred taxation	329,881	212,231	132,160	31,218	23,072
	6,689,592	4,465,737	3,795,504	3,457,512	3,287,606
Net operating profit after tax ("NOPAT")	721,885	496,153	398,357	417,220	540,732
Average shareholders' equity	3,211,056	2,693,447	2,374,532	2,138,922	1,843,189
Average capital employed ¹	6,099,908	4,766,606	4,086,729	3,664,313	3,374,859
FINANCIAL STATISTICS					
Basic earnings per share (sen)	53.24	40.69	34.09	35.96	44.97
Gross dividend per share (sen)	20.0	15.0	12.5	10.0	6.0
Net tangible assets per share (sen)	302	312	284	257	229
Return on average equity (%)	15.64	12.86	12.07	14.17	20.60
NOPAT/Average capital employed	11.83	10.41	9.75	11.39	16.02
Net debt/Equity (%) ²	39.47	22.13	25.05	27.23	43.62

¹ Average capital employed comprises shareholders' equity, minority interests, long term liabilities, short term borrowings and deferred taxation.

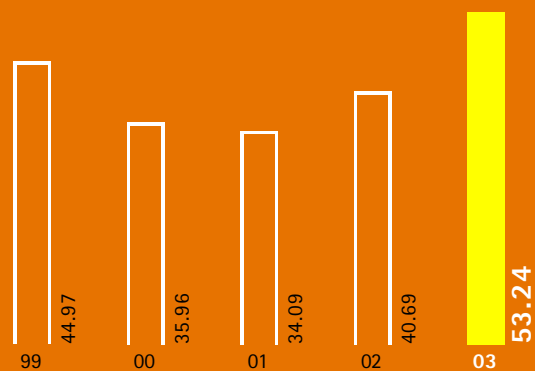
² Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.

Certain comparative figures have been reclassified to conform with current financial year's presentation as disclosed in Note 45 to the financial statement.

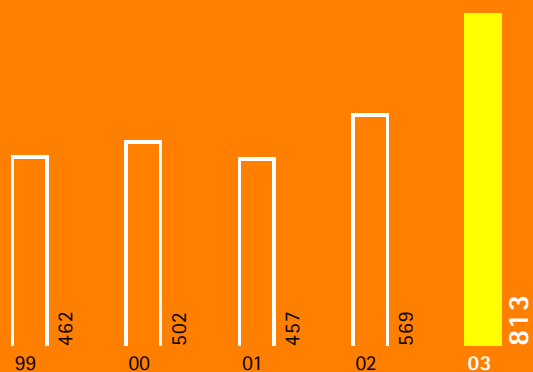
REVENUE RM Million



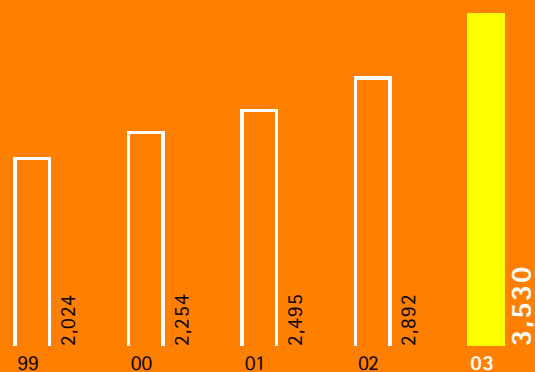
EARNINGS PER SHARE Sen



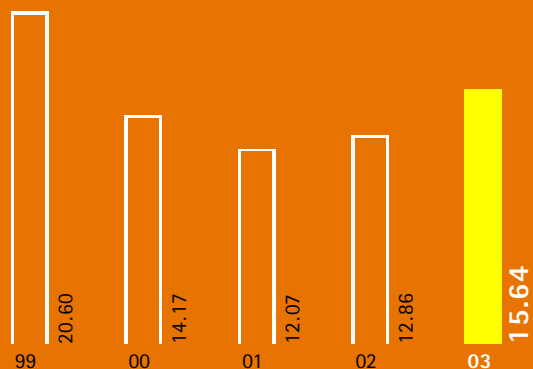
PROFIT BEFORE TAXATION RM Million



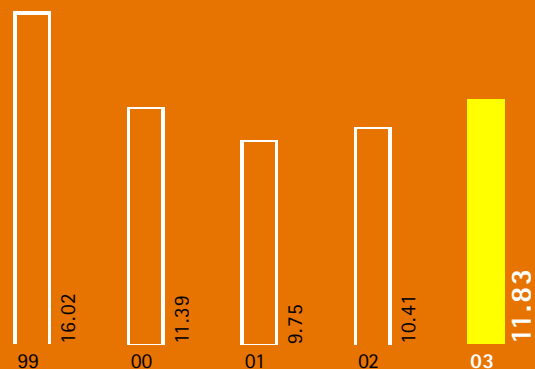
SHAREHOLDERS' EQUITY RM Million



RETURN ON AVERAGE EQUITY %



NOPAT/AVERAGE CAPITAL EMPLOYED %





boosting social commitment

"As a caring corporate citizen, we take our social responsibilities seriously. Giving something back to the community is simply part of our corporate culture."

"To us, the most important way in which we help is by providing good schools and scholarships for the children of our plantation estate workers. After all, education is what opens the door to a brighter future."

MAJLIS KEBANGSAAN
K. JEN. KEB. (PAMIL) LADANG PAMOL

86000 KLUANG JOHOR

KOD SEKOLAH:

JBD 2046

KECERDASAN DAN KESEMPURNAAN

MAJLIS KEBANGSAAN

MENINGKATKAN PRESTASI KURIKULUM DAN EKSTRAKURIKULUM
MELAKSANAKAN INSAN YANG BERAKSIKAL, MULIA DAN BERSEKUTU



management's discussion and analysis

HIGHLIGHTS

- Pursuant to our objective of sustaining long term growth, two substantial acquisitions were completed during the year:
 - Loders Croklaan, a leading specialty fats manufacturer, for RM853.0 million in December 2002; and
 - "Pamol Plantations" comprising 23,045 hectares of oil palm estate for RM579.9 million in January 2003.
- Group pre-tax profit continued its growth trend to achieve RM812.6 million for FY 2003, 43% up from the previous year.
- At net earnings level, the Group exceeded the RM500 million level for the first time to make RM502.1 million for FY 2003, an increase of 45%.
- The sterling set of results was achieved on the back of much higher contribution from the plantation segment as a result of higher CPO prices and higher production as well as satisfactory performance from the other two core businesses, property and resource-based manufacturing.
- The performance of the Group would have been even better had it not been for the charges against income of an unrealised foreign exchange translation loss of approximately RM40.1 million and a revaluation deficit of RM14.1 million in respect of an investment property in Singapore.
- At EBIT level, plantation segment regained the lead position in FY 2003. The contributions, including the results of associated companies from the three core segments to Group EBIT were as follows:

	FY 2003	FY 2002
Plantation	63%	39%
Properties	29%	43%
Manufacturing	14%	17%

- The respective contributions of the 3 core segments to net earnings were as follows, with a clear inverse relationship between plantation and manufacturing:

	FY 2003	FY 2002
Plantation	85%	46%
Properties	26%	34%
Manufacturing	1%	17%

HIGHLIGHTS cont'd

- Net operating profit after tax ("NOPAT") of the Group for FY 2003 was RM721.9 million as compared to RM496.2 million the previous year, a 45% increase. Returns are expected to further improve in line with increased contribution from new acquisitions and new capacities added.
- The Group's Economic Profit increased from RM136.6 million to RM260.1 million, based on a weighted average cost of capital ("WACC") of 7.57% (2002 - 7.54%).
- The Return on Equity ("ROE") improved to 15.64% as compared to 12.86% for the previous year.
- Net operating cash flow for the year was RM777.3 million. After deducting capital expenditure of RM192.8 million, mainly in respect of new planting expenditure for oil palm, CPO milling capacities as well as other plantation infrastructure to enhance the productivity and capacity of our plantation business and additional facilities for our oleochemical business, free cash flow from operations was RM584.5 million for FY 2003.



management's discussion and analysis cont'd

HIGHLIGHTS cont'd

- Besides the aforesaid capital expenditure and the two major acquisitions there was an additional cash outlay of about RM110 million to acquire an additional 23,738,316 or 11.8% of Palmco shares from Sime Darby.
- The Company continued its policy of enhancing returns for shareholders by increasing dividend payout and share repurchase programme when appropriate. The dividend rate was increased from 30% less tax for FY 2002 to 20% less tax plus 20% tax exempt for FY 2003. The total net cash dividend paid and payable in respect of FY 2003 totalled RM179.4 million.

In respect of share buy back, 22,863,000 IOI shares costing a total of RM114.4 million, i.e. an average of RM5.00 per IOI share, were repurchased during the year.

The outlay on share buy back, together with the aforesaid net dividend totalled RM293.7 million, which is about 58% of the Group's net attributable earnings for the year.

Shareholders of IOI also received, in October 2002, a "special dividend" totalling RM171.7 million, by way of a capital distribution of 38,583,497 Palmco shares, valued at RM4.45 per Palmco shares.

- Proceeds from the conversion of outstanding warrants (which expired in April 2003) and exercise of ESOS during the year contributed RM603.8. This sum, together with the significant increase in Group profit, helped cushion the cash outlay on the two substantial acquisitions and the aforesaid dividend payments, capital distribution and share buy backs. The Group's net gearing ratio as at 30 June 2003 was at a prudent 39.5 % level.

ECONOMIC PROFIT AND RETURNS

Key business units are evaluated on their ability to generate economic profits and analysis of acquisitions, capital expenditures, budgets and strategic plans are based on economic profit principles.

ECONOMIC PROFIT AND RETURNS cont'd

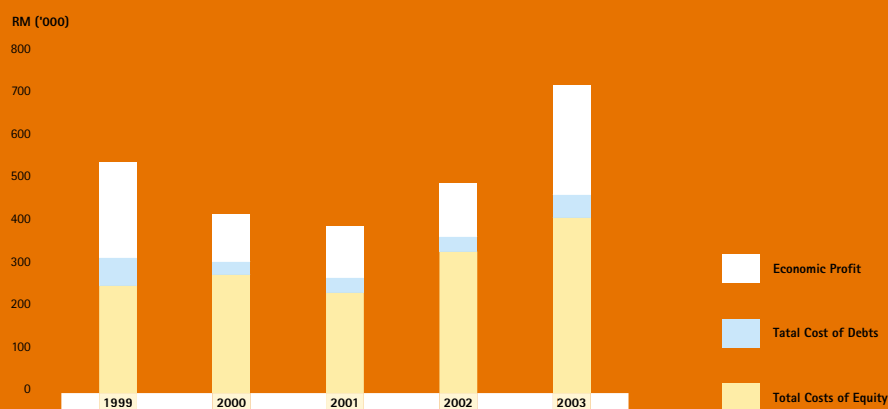
The Group's various business units are accountable for cost of capital employed (shareholders' equity and borrowings) in order to measure real economic profit and returns. The system measures how much economic value they have created by deducting a charge (cost of equity and cost of debts) for the capital employed from net operating profit after taxes ("NOPAT"). Business units must have a NOPAT that is more than its costs of capital before it is considered to have "created value" or economic profit.

FIVE-YEAR ECONOMIC PROFIT TREND

An analysis on the distribution of the Group's NOPAT between cost of debts, cost of equity and economic profit.

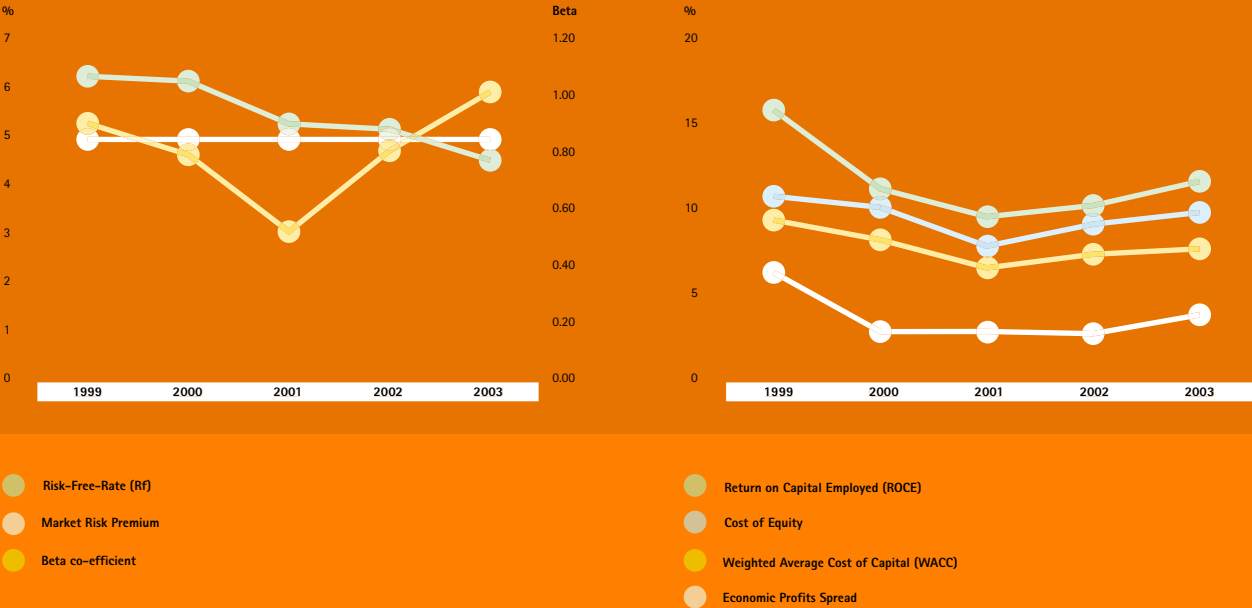
In RM

	1999	2000	2001	2002	2003
Economic Profit	218,397	109,658	122,711	136,612	260,126
Total Costs of Debts	70,870	33,628	35,846	34,797	51,984
Total Costs of Equity	251,465	273,934	239,800	324,744	409,775
NOPAT	540,732	417,220	398,357	496,153	721,885



management's discussion and analysis cont'd

The above computations were arrived at based on the following parameters:



As mentioned in the Highlights, the good set of results for the financial year under review has increased the Group's NOPAT by 45% to RM721.9 million. After accounting for cost of capital employed of RM461.8 million (2002 – RM359.5 million), Group's Economic Profit increased by 90% from RM136.6 million for FY 2002 to RM260.1 million for the current financial year under review.

RISK MANAGEMENT

The Group has in place a formal risk management framework. Overall through strategic measures, consistent risk management and continuous refinement, we are able to recognise and exclude fundamental dangers for IOI in the ordinary course of business.

Operating Risk Management

- Our participation in our core businesses, namely palm oil and properties, entails risks that arise in the ordinary course of business. Palm oil prices in particular, can be very volatile and can result in wide fluctuation in revenue and cash flow. Other risks include oleo and specialty fats products price risk, changes in the property markets and other operation risks. Our risk management policy is to exploit as fully as possible the many opportunities available in the markets we operate in, while taking on only those risks that are necessarily associated with creating added economic value and while strategically balancing up risks that could not otherwise be managed to a satisfactory level.



management's discussion and analysis cont'd

Operating Risk Management cont'd

- In the case of palm oil, for instance, normal price fluctuations are manageable risks whilst unduly sharp fluctuations and cyclical trends are strategically balanced by the Group's positioning in different segments of the palm oil value chain, namely plantation, refinery, oleochemicals and specialty oils and fats. The Group's exposure to different segments of the palm oil chain also provides better visibility and enables better risk management execution that enhances value beyond mere balancing out the effects of price fluctuation.
- For the property segment the judicious selection of locations when acquiring land bank and the choice of product mix when making property sales launches during different phases of the property market cycles are the most crucial factors in managing market and operation risks.

Financial Risk Management

- The Group's operations which have expanded substantially in recent years, most notably, the recent acquisition of the Loders Croklaan Group, a substantial foreign investment, expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, market risk (including commodity price risk), credit risk, liquidity and cashflow risk.



Financial Risk Management cont'd

- The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions.
- The Group addresses the various financial risks exposure by taking pro-active measures within our established risk management framework and clearly defined guidelines that are approved by the Board. In this respect, the Group enters into forward contracts and exchange-traded agricultural commodity futures to hedge our inventories, sale and purchase commitments.
- Besides, the Group also enters into interest rates swaps with the objective of minimising overall cost of borrowings. As at 30 June 2003, the Group has entered into an interest rate swap contract to swap the interest reference rate of the Company's 230 million Euro loan from EURIBOR to USD LIBOR to take advantage of the lower USD LIBOR rate without incurring foreign exchange exposure. The fair value of this arrangement as at 30 June 2003 is a favourable Euro1.1 million.
- Whenever possible, the Group favours taking a "natural hedge" approach as for instance, to have the same currency base in the risk management of its foreign currency denominated assets and liabilities and in respect of income and expenditure.
- When more appropriate, we also enter into forward foreign currency contracts to limit the Group exposure to fluctuation in foreign exchange rates with respect to our foreign currency denominated assets and liabilities as well as committed sales and purchases of commodity and other products.

For more disclosures on the Group's financial risk management, refer to Note 39 to the financial statements included in this Annual Report.

plantations



INTRODUCTION

The activities of this segment are principally palm-based as 98.4% of the Group's plantation land is planted with oil palm whilst the balance 1.6% comprises rubber and orchards. Our oil palm plantation related activities include the breeding and production of superior clones and seedlings, the planting and cultivation of oil palms and the milling of fresh fruit bunches ("FFB") harvested from oil palm estates into crude palm oil ("CPO") and palm kernel ("PK") at CPO mills. The CPO and PK produced by our CPO mills in Sabah are processed by our own refinery and kernel crushing plant ("KCP") in Sandakan, Sabah, the activities of which are included in the resource-based manufacturing segment. CPO and PK in Peninsular Malaysia are sold to third parties.

With the recent acquisition of the Pamol estates, the number of estates owned by the Group increased from 53 to 65 as at 30 June 2003 while the Group's CPO mills has increased by 2 units to 11 mills. The Pamol acquisition increases the Group's total titled area by 24% to 136,333 hectares.

As at 30 June 2003, approximately 62% of the Group's plantation holdings are in the state of Sabah with the remaining 38% in Peninsular Malaysia, mainly in the central and southern parts of the Peninsular.



PLANTATION STATISTICS

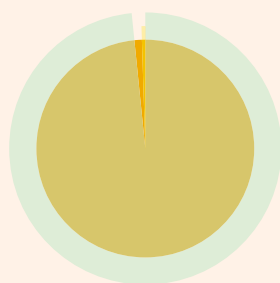
The plantation statistics are tabulated as follows:

Crop statement

Year ending 30 June

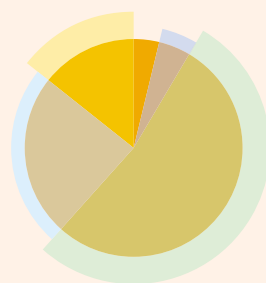
	2003	2002	2001	2000	1999
Oil Palm					
Mature area harvested (hectare)	95,450	83,825	79,477	75,586	66,958
FFB production (tonne)	2,396,231	1,920,692	1,926,808	1,565,807	1,279,149
Yield per mature hectare (tonne)	25.10	22.91	24.24	20.72	19.10
Mill production					
Crude palm oil	597,515	477,794	469,070	371,145	281,656
Palm kernel	143,307	118,209	119,855	98,172	74,666
Oil extraction rate (%)					
Crude palm oil	21.82	21.28	19.98	20.04	19.49
Palm kernel	5.23	5.26	5.11	5.30	5.17
Average selling price (RM/tonne)					
Crude palm oil	1,461	1,075	838	1,216	2,029
Palm kernel	711	522	457	948	1,082
Operating profit (RM/mature hectare)	5,576	2,834	1,615	3,088	5,758
Rubber					
Mature area tapped (hectare)	1,605	1,808	2,009	2,102	2,637
Rubber production ('000 kg)	3,615	3,607	3,727	3,461	4,278
Yield per mature hectare (kg)	2,252	1,995	1,855	1,647	1,622
Average selling price (RM/kg)	4.15	3.30	3.40	3.32	3.18
Operating profit (RM/mature hectare)	3,850	1,486	1,534	1,230	1,108

Crop Mix



- Oil Palm 98.4% (124,203 HA)
- Rubber 1.1% (1,397 HA)
- Others 0.5% (590 HA)

Oil Palm Hectarage ...by age



- Due 3.8% (4,730 HA)
- Past Time 4.7% (5,770 HA)
- Prime 53.1% (65,942 HA)
- Young 24.1% (29,973 HA)
- Immature 14.3% (17,788 HA)

Area Statement (In Hectares)

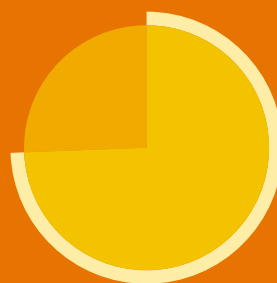
Year ending 30 June

	2003	2002	2001	2000	1999
Oil Palm					
Mature	107,108	85,035	80,226	77,906	69,323
Immature	17,095	13,829	7,379	8,245	16,383
	124,203	98,864	87,605	86,151	85,706
Rubber					
Mature	1,397	1,776	2,001	2,014	2,348
Others	590	314	299	287	320
Total planted area	126,190	100,954	89,905	88,452	88,374
Nursery	142	167	109	67	171
Estate under development	805	2,538	7,810	-	-
Housing project	1,162	1,187	1,105	1,055	997
Labour lines, buildings sites and infrastructure	8,034	5,250	4,884	4,869	4,630
Total area	136,333	110,096	103,813	94,443	94,172

Oil Palm Hectarage ...by Region



- Sabah – 62%**
- Mature 93% (72,226 HA)
 - Immature 7% (5,077 HA)



- Peninsular – 38%**
- Mature 74% (34,882 HA)
 - Immature 26% (12,018 HA)

OPERATIONS

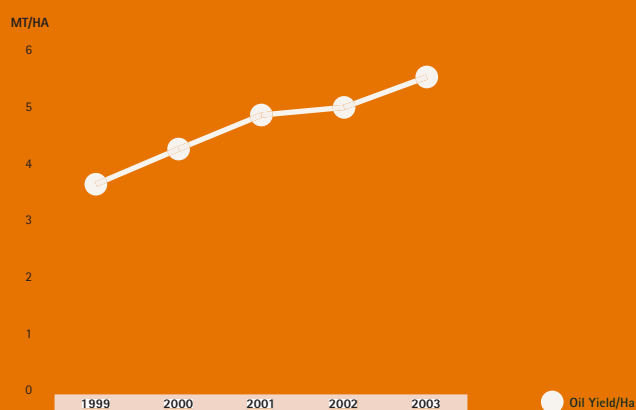
The total matured hectareage for oil palm increased by 22,073 hectares or 26% to 107,108 hectares as at 30 June 2003 due largely to the inclusion of Pamol estates which have added 20,242 hectares to the Group's oil palms holding while the balance of 1,831 hectares represent immature areas brought into maturity during the year under review.

The Group FFB harvested for the year increased by 25% to 2.4 million MT with yields improving by about 10% from 22.91 MT of FFB per hectare to 25.10 MT per hectare and also because of a 14% increase in average mature hectare as a result of the 5½ months contribution from the newly acquired Pamol estates.

The higher FFB yield coupled with improved oil extraction rate from 21.28% for FY 2002 to 21.82% for FY 2003 has pushed our CPO yield up to 5.48 MT of CPO per mature hectare from 4.88 MT achieved previously. The Group CPO yield trend for the last 5 years reflects a continuous improving trend.

Estates that achieved > 6 MT of CPO
per mature hectare in FY 2003

ESTATE	Mature Ha	CPO/Ha (MT)
J. Lalang	2,233	7.45
Permodalan 2	1,800	7.32
Terusan Baru	1,628	6.96
Sg. Sapi	1,212	6.71
Laukin Estate	1,973	6.67
Permodalan 1	2,123	6.65
Baturong 1	2,700	6.65
Syarimo 3	2,316	6.57
Sagil	1,723	6.51
Permodalan 3	1,955	6.47
Luangmanis	2,460	6.38
Moynod	2,802	6.23
Baturong 3	1,909	6.20
Sakilan Estate	2,219	6.16
Bahau	2,465	6.03



OPERATIONS cont'd

Although oil yield achieved to-date is significantly higher than the industry average of 3.8 MT per hectare, there is still room for significant improvement. During the financial year, the number of estates managed by the Group that have achieved oil yield of more than 6 MT per mature hectare have increased significantly to 15 estates as compared to 3 estates in the previous financial year. With more young palms moving into their prime age and further improvement in estates productivity and efficiency, our plantation yields have the potential to be significantly higher than the current levels.

The cess and tax for the year were as follows:

RM'000

	FY 2003	FY 2002
MPOB cess	10,392	7,519
Rubber	358	351
	10,750	7,870
Sabah sales tax	25,318	12,983
	36,068	20,853

Whilst the increase in MPOB cess was due mainly to the significant increase in CPO price as well as higher FFB production, the substantial increase in Sabah sales tax is also due to the change in the computation whereby effective 1 January 2003 sales tax is payable based on 5% of CPO price instead of the previous basis of RM50 for every MT of CPO produced at above MPOB's price of RM1,000 per MT.

With regard to rubber, total planted area was further reduced to 1,397 hectares as at 30 June 2003, down from 1,776 hectares for FY 2002. Despite the reduction in hectareage, rubber production has increased marginally from 3,607,000 kg for FY 2002 to 3,615,000 kg for the year under review due to a 13% improvement in yield per Ha from 1,995 kg per Ha for FY 2002 to 2,252 kg per Ha for the current financial year.

RESULTS

With average CPO price realised higher by 36% to RM1,461 per MT for FY 2003 and a 25% growth in FFB production, our plantation segment's EBIT recorded a substantial increase of 129% to RM543.4 million for FY 2003, up from RM236.9 million for the previous year.

At the net operating profit after tax ("NOPAT") level, the division made a total of RM453.8 million for financial year 2003, up 88% from previous year, giving an ROCE of 25.6% (vs. 13.9% in 2002) based on an average capital employed base of RM1,772.9 million (RM1,734.3 million in 2002).

Operating profit per average mature hectare for oil palm was RM5,576 per hectare for FY 2003 as compared to RM2,834 per hectare for the previous year, a 97% increase reflecting effects of much higher palm product prices as well as the improved production yield.

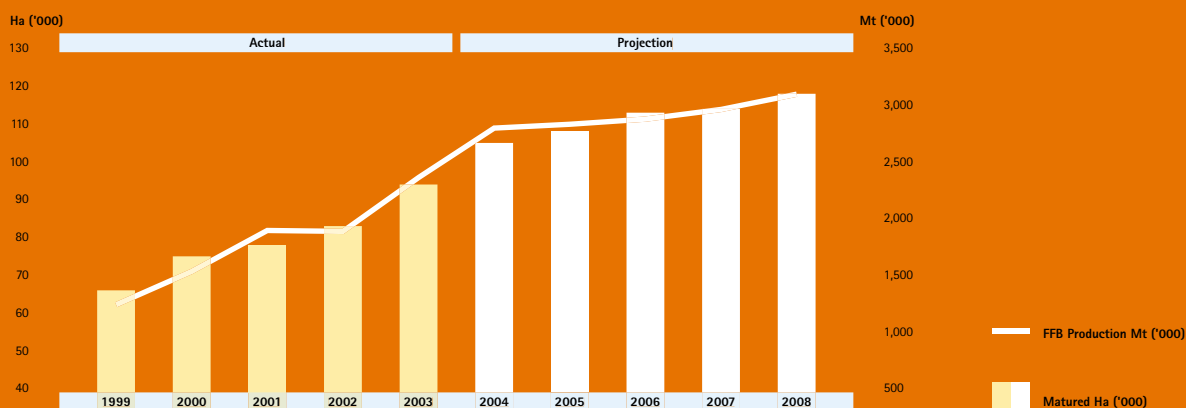
On capital expenditure, the Division spent RM31.9 million on new planting (vs. RM28.7 million in 2002) and RM58.3 million (vs. RM38.5 million in 2002) towards the expansion of capacity for CPO mills, staff quarters, road and bridges and agricultural equipment. In addition, a sum of RM10.1 million (RM8.6 million in 2002) was charged out as replanting expenditure.



OUTLOOK AND PROSPECTS

Prices of edible oils are generally expected to be softer in 2003/04 as supply continues to increase in the expansion phase of the cycle, recovering from weather induced shortages. However, earlier projections of sharp decline in prices have been grossly over exaggerated as supply growth of the 2003 US soybean and European rapeseed crop as well as palm oil, falls short of expectation. Demand has however been buoyant with growing consumption and the need to replenish low inventory levels. Palm oil prices are also expected to be underpinned by new potential demand in 2004, arising from "non-trans fatty acid" formulation for certain applications and given the fact that it is currently about USD 120 cheaper than soyoil. High cereal prices, which will likely induce some switch over from oilseeds to cereal planting for the new season, will also lend support to vegetable oil prices.

We expect our price downside for FY 2004 to be within 5% of average price achieved for FY 2003. The Group's CPO production is however expected to be higher by more than 20% over last year. Hence operating profit from plantation segment will see further growth for the current year.







boostinglong-term sustainability

"We are constantly aware that our activities impact the environment, not just in an obvious cause and effect sort of way, but also by the inevitable causal effect between all participants and the environment we are all a part of, interwoven together in the fabric of nature. Simply put, we are part of nature and the environment in which we operate; hence we must aim to ensure long term sustainability."

BOOSTING LONG-TERM SUSTAINABILITY

As the core business division of the Group, the Plantation Division strictly adheres to the principles of Vision IOI which emphasise commercial success in a responsible and balanced manner by addressing the interests of all stakeholders. We subscribe to the adage that "what goes around comes around". We strongly believe that it is simply not possible to sustain commercial success over the long term without appropriate consideration for the environment and without caring for the interests of the community in which we operate. Hence, the Group has always been committed to sustainable agricultural practices. However, we also believe that as with all good practices, they are expected to evolve and to be refined over time and to be measured against moving targets. Over the years, we have made significant improvements in enhancing yields, productivity and cost efficiency in order to optimise returns from our oil palm plantations in a manner that will ensure long term sustainability through optimising the use of renewable resources, environmental friendly agricultural practices such as zero burning, soil and water conservation, site specific fertilisation, land application of digested palm oil mill effluent, integrated pest management, by-product utilisation, including energy recycling.

During the year, the Group completed the acquisition of the Pamol estates from Unilever which practices the sustainable agriculture system introduced by Unilever. This has afforded us the opportunity to cross benchmark our practices and to further improve on the progress made thus far. Some of the more significant areas are highlighted below.



The IOI Research Centre is carrying out field trials to investigate "Sustainable Agriculture" scientifically and practically, especially in maximising fertiliser-use efficiency and reducing soil erosion on sloping terrain. Shade-tolerant perennial legume species (*Mucuna bracteata*) are being planted to promote nitrogen fixation, organic matter and soil conservation throughout the life span of the palms.

Biodiversity which is an important component of sustainability is also greatly emphasised by the Company. Various species of timber trees, tropical fruit trees and flowers are planted around estate offices and housing complexes. One has just to visit our agro-tourism project at Sagil Estate (near Tangkak) to appreciate the commitment the Company has to conserve biodiversity. Timber species, e.g. teak, are also being tested on a trial basis.

Biological control is integrated into pest management practices to minimise usage of pesticides. Beneficial plants (e.g. *Cassia cobanensis* and *Tunera spp.*) are planted to attract natural predators for biological control of bagworms and other leaf-eating caterpillars which are major insect pests in oil palm plantations. Barn owl boxes are erected in the estates to increase the owl population for biological control of rats which can cause significant yield reduction. We are probably also the largest user of buffaloes in oil palm estates for the industry. The large-scale use of buffaloes to complement machines for infield collection of fruit bunches has led to reduction in soil compaction, biological weed control and to some extent nutrient recycling, besides eliminating the need for non-renewable diesel fuel to run collection vehicles in the fields.

In integrated weed management, herbicides are selectively used to eradicate noxious weeds. Soft grasses are maintained to prevent soil erosion. Where practical, mechanical weed control is practised to minimise use of herbicides.

By-products from palm oil mills especially empty fruit bunches (EFB) and effluent decanter cakes are used where necessary as organic fertilisers to enhance yields resulting in cost-effectiveness in our fertiliser practices.

EFB fibre is used as biofuel for power generation in palm oil mills and refinery. The Group is also studying the use of EFB as raw material for pulp and paper manufacturing. This will certainly add value to our oil palm plantations and enhance competitiveness.

properties



INTRODUCTION

The Group's property businesses comprise property development and investment and property development remains the core business of the Group. These activities are principally carried out by our 65% owned listed subsidiary, IOI Properties Berhad.

The Group's property development projects are mainly located in Puchong in the Klang Valley and Southern Johor, each involving sizeable tracts of land planned for self contained townships whilst property investment comprises office building and retail space are mostly located in our self contained townships.

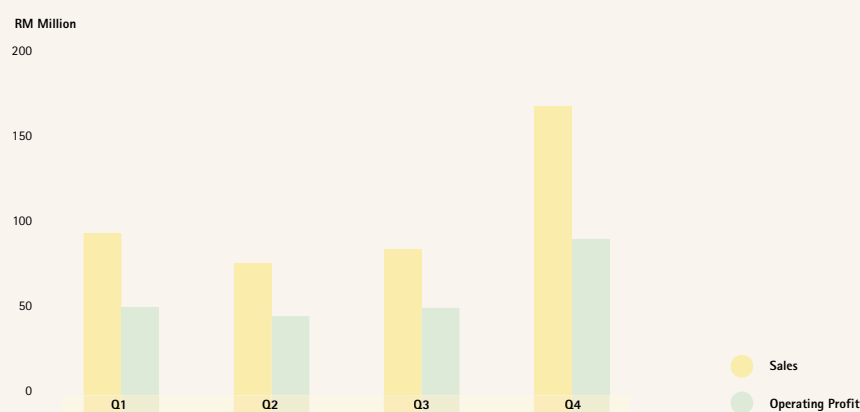
The Group's competitive advantage is in township development where we are well located in growth corridors, have excellent track record to draw demand and have the flexibility in planning and in tailoring product mix to prevailing market conditions.

OPERATIONS

We experienced a declining trend from the first to the third quarter of FY 2003 due principally to the unfolding of a spate of negative events which affected the overall sentiment of house buyers despite the availability of low mortgage rates.



management's discussion and analysis • review of core business operations cont'd



OPERATIONS cont'd

Market sentiment has however improved noticeably in the fourth quarter of FY 2003 with the end of the SARS outbreak and the Iraq war and with a more buoyant stock market and the availability all time low interest rates. The government's stimulus package for the property market which includes stamp duty exemption for properties below RM180,000, tax deductibility of interest cost for first time house buyers and the one year Real Property Gains Tax waiver commencing 1 June 2003, are also expected to keep demand momentum going.



OPERATIONS cont'd

In line with the market environment, the Group did reasonably well again in FY 2003.

The Klang Valley projects comprising Bandar Puteri, Bandar Puchong Jaya and IOI Resort accounts for 70% of Group property sales. Our projects in the Klang Valley which are located in the Puchong, Putrajaya / Cyberjaya corridor continued to receive good response from property buyers because of their locational advantages and easy accessibility through a network of new highways. Despite increased competition from neighbouring developers, these projects managed to record satisfactory level of sales due to our relatively affordable pricing, and support amenities such as shopping mall and hypermarket surrounding our development.

Bandar Putra Kulai ("BPK") in Kulai, Johore, had a relatively good year, enjoying reasonably good response from house buyers despite overall property market in Johore remaining soft. The IOI Mall, Kulai since its opening in the previous financial year, has brought in more commercial activities and boosted the profile of BPK township. Good infrastructure in the township together with the availability of wide range of affordable houses and commercial properties are expected to continue to attract prospective buyers.

Overall, due to a slow first half, the group recorded a decline of 11% in property sales for FY 2003. The Group sold a total of 1,963 units of properties with a total sale value of RM428.9 million as compared to 2,090 units with a total sales value of RM483.5 million for FY 2002. Bandar Puteri, Puchong the flagship development project of the Group accounts for 44% of the total sales.

The sales for the various projects are as follows:

Projects	Units		Sale Value (RM million)	
	FY 2003	FY 2002	FY 2003	FY 2002
Bandar Puchong Jaya	216	400	87.9	71.4
Bandar Puteri, Puchong	844	820	187.9	303.3
Bandar Putra, Kulai	711	707	117.5	96.2
Others	192	163	35.6	12.6
Total	1,963	2,090	428.9	483.5

OPERATIONS cont'd

For FY 2003, the average price per unit of properties sold was RM218,000, down from RM231,000 the previous year due to lower sales of properties in the RM250,000–500,000 range. The range of projects sold, summarised by price range are as follows:

Price Range	FY 2003		FY 2002	
	(RM' million)	%	(RM' million)	%
Below RM100,000	45.2	10	47.2	10
Between RM100,000 to RM150,000	45.8	11	54.8	11
Between RM150,000 to RM250,000	42.7	10	50.1	10
Between RM250,000 to RM500,000	112.6	26	206.6	43
Above RM500,000	182.6	43	124.8	26
Total	428.9	100	483.5	100

The Group's property investment portfolio comprises mainly of retails and office space totaling approximately RM1.4 million sq ft of net lettable space (FY 2002 – 1.4 million sq ft), of which about 100,000 sq ft is located in Singapore. The higher occupancy and rental rates for our two IOI shopping malls in Puchong and Kulai have resulted in an increase in the overall gross rental revenue for our investment properties by 10% to RM48.5 million for FY 2003, up from RM44.8 million a year earlier.

The occupancy and rental rates for other investment properties that comprise mainly office space managed to maintain their previous year level except for the IOI Plaza in Singapore which was affected by the economic slowdown and SARS outbreak in Singapore. A revaluation exercise has been carried out for the Group's investment properties in line with the market condition and a net revaluation surplus arising mainly from the two shopping malls (after accounting for deferred tax and minority interests) of RM18.0 million has been credited to Group's revaluation reserves. On the other hand, a revaluation deficit of RM9.2 million in respect of IOI Plaza has been charged against income.

RESULTS

For the financial year under review, the group recognized a total of RM509.9 million revenue from property development activities as compared to RM538.8 million in the previous year. EBIT achieved for FY 2003 was RM241.9 million as compared to RM235.0 million previously. Overall development margin was higher due to product mix variance and write back of contingency cost as more projects were completed and closed off during the financial year.

RESULTS cont'd

The Group's overall property segment EBIT for FY 2003, after taking into account property investment, was RM255.2 million, marginally lower than FY 2002's RM261.2 million due principally to the aforesaid charge of RM14.1 million in revaluation deficit.

Overall NOPAT for FY 2003 was RM168.6 million vs RM168.2 million for FY 2002. Based on an average capital employed of RM1,668.9 million, the ROCE for the Group is 10.10% (FY 2002 - 10.56%). Overall returns is on the low side because of low yields from investment properties. Although the yields are low for investment properties such as the shopping malls, it provides strategic value for our property development business.

TOWARDS BETTER COMMUNITY AND SOCIAL SERVICES

We are committed to provide our customers with better quality homes located within a modern and well-planned township. To date, we have completed major community projects such as the Bandar Puchong Jaya Balai Polis together with apartments, surau, community halls, underpass, interchange and flyovers at a total cost of RM31 million and other community projects, including a town park, with an additional cost of RM15 million are in progress.



management's discussion and analysis • review of core business operations cont'd

TOWARDS BETTER COMMUNITY AND SOCIAL SERVICES cont'd

In addition, the Group's community portal, *myioi.com* was launched for the benefit of Puchong community and our customers.

OUTLOOK/PROSPECT

The housing market should continue to benefit from the improving local economy and the government's recent stimulus package. A more buoyant stock market and continued low interest rates will also provide additional conducive conditions for a more active housing market in FY 2004.





manufacturing



INTRODUCTION

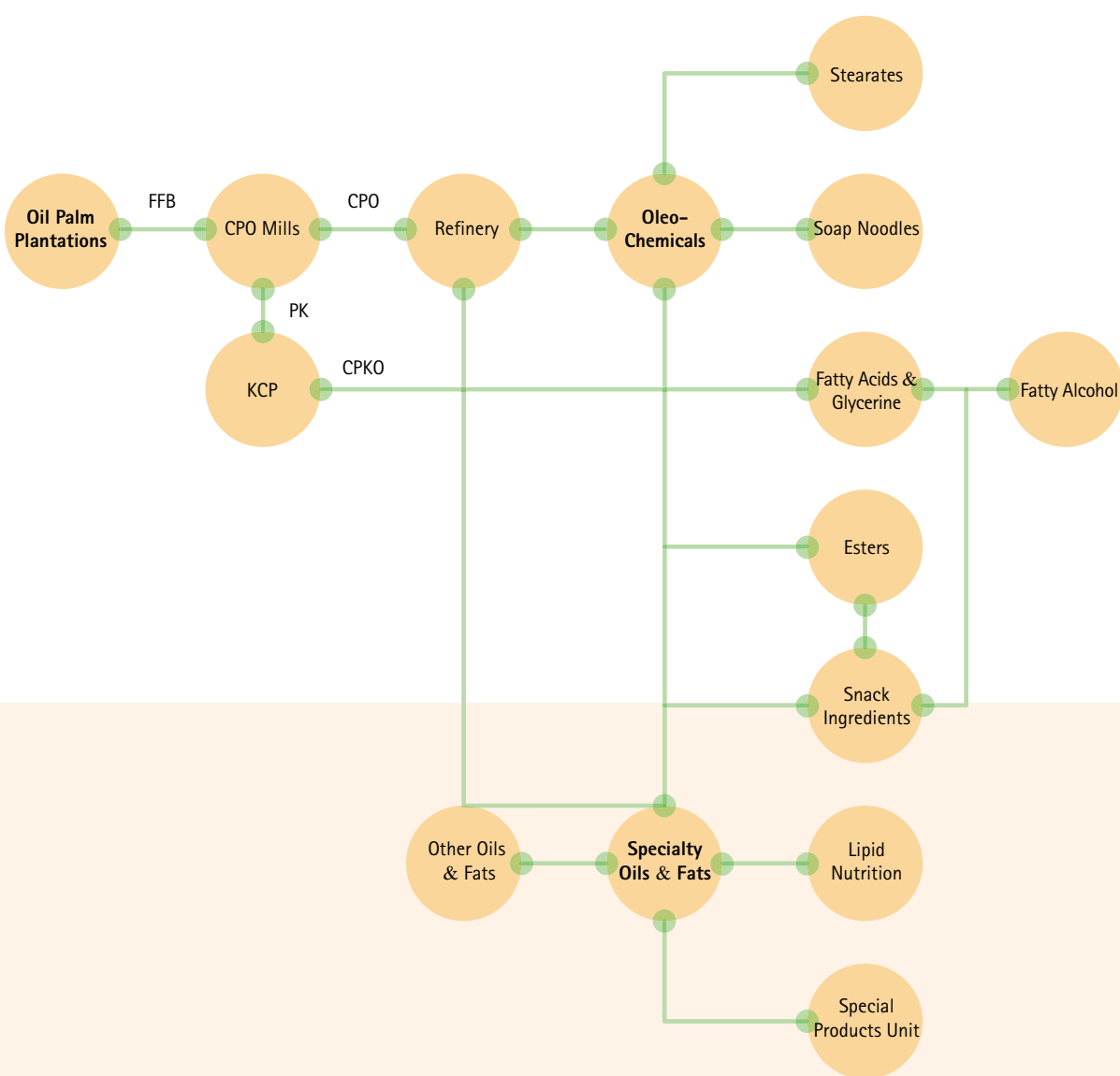
The Group's manufacturing segment comprises mainly downstream processing of oil palm produce. Crude palm oil and palm kernel oil are further processed in different ways into products that find multifarious usage in industries ranging from food, pharmaceuticals, cosmetics, personal care, to tyres and chemicals.

The principal subsidiary companies in this segment are:

	Industry	Effective Interest
IOI Edible Oils Sdn Bhd	Palm Oil Refining and Kernel Crushing	100%
Palmco Holdings Berhad	Oleochemicals	51%
Loders Croklaan	Specialty Oils and Fats	100%

The substantial extension and expansion into downstream operations in recent years has effectively transformed the Group from an oil palm plantation entity into a leading integrated palm oil player. The integration of the Group's palm oil business is illustrated as follows:





OPERATIONS

The Group's palm oil refinery and kernel crushing plant ("KCP") are located in Sandakan, Sabah with a refining capacity of 700,000 MT and kernel crushing capacity of 250,000 MT per annum. The refinery and KCP process mostly the CPO and kernels of the Group's own oil mills in Sabah.

For the oleochemical operations, the activities are undertaken through the subsidiary companies of Palmco namely, Acidchem Sdn Bhd ("Acidchem"), Derichem Sdn Bhd and Stabilchem Sdn Bhd that produce fatty acids, glycerine, soap noodles and metallic stearates as well as through Palmco's 30% owned associated company, Fatty Chemicals Malaysia Sdn Bhd ("FCM") for the production of fatty alcohol. Acidchem which has completed its plant expansion in the previous financial year with a production capacity of about 330,000 MT is the largest fatty acid producer in Asia.

The acquisition of Loders Croklaan expanded our palm-based down stream manufacturing activities significantly, both in terms of product portfolio and geographical presence. Loders Croklaan which has manufacturing facilities in the Netherlands, North America and Egypt has a long tradition of innovation and R&D excellence. The specialty oils and fats manufacturer has three main operating divisions, i.e. Snack Ingredients ("SI"), Lipid Nutrition ("LN") and Special Products Unit ("SPU"). The SI division produced value added fractionated oils and fats to the food industry whilst the LN division was established in recent years to develop highly modified lipid products with specific health functionalities for the supplement industry. The SPU is the smallest operation of Loders Croklaan that supplies both food and animal feed ingredients.

The location map of the Group's palm-based manufacturing facilities is shown on page 100-101 of the Annual Report.

RESULTS

The refinery business reported an operating profit of RM28.5 million for FY 2003, significantly higher than the RM12.3 million achieved previously as a result of better refining margins and more favourable trading conditions.

The oleochemical operations of the Palmco Group, including associate FCM contributed RM94.7 million to Group EBIT, an increase of 7% over FY 2002's contribution of RM88.7 million.

Aggressive volume growth, stemming from the expansion in capacities by both Acidchem and FCM, has mitigated the effects of lower product margins caused by higher raw material prices and increased competition from new capacities coming into the market. Our oleochemical business has continued to perform well with production levels reaching new highs for the third consecutive year. Sales volume was 34% higher as we were able to make market penetration based on the superior quality of our products and also because of a growing preference for vegetable based oleochemicals as oppose to those derived from animal fats.

The acquisition of Loders Croklaan was completed in December 2002. For the post acquisition period, Loders Croklaan contributed an operating profit of RM2.5 million, significantly lower its previous corresponding period. The lower profits were due to difficult prevailing market conditions as well as to one-off charges and cost adjustments such as severance pay, insurance costs and currency effects. On the market front, higher raw material input prices and other cyclical factors which gives rise to suppliers with seasonally cheaper alternative raw materials, such as illipe leaves versus sheabutter substantially compressed trading margins for the core snack ingredient business. Whilst its core business performed below expectations for the period reviewed, the new business lines, lipid nutritional and flavour delivery systems performed above expectations with strong growth. The initial objectives to ensure a smooth integration of Loders Croklaan and to commence the process of positioning it as a key integral part of the IOI Group's global palm oil business strategy for the future, was achieved during the period.

PROSPECTS

The oleochemical sub-segment should see further progress in performance as raw material prices soften to provide better margins whilst capacity utilization continues to increase. Despite increasing competition, we are confident of maintaining our leadership position in the industry based on our established portfolio of customers and long-standing reputation as a reliable quality producer.

On Loders Croklaan, although trading conditions are still expected to be difficult for the snack ingredient sub-segment, gradual improvements are expected as we continue to lower cost structure, enhance efficiency and capitalise on the strong supply chain linkage within the IOI Group. Loders Croklaan, with its leading oils and fats technology and geographical location, will also benefit from new businesses as it plays a lead role in securing new demand application for palm oil.

This Annual Report contains statements relating to the future that are based on management's estimates, assumptions and projections at the time of publication. These statements reflect our current views with respect to future events and are subject to risks and uncertainties. Some factors include, but are not limited to, changes in general economic and business conditions, exchange rates, exceptional climatic conditions and competitive activities could cause actual results to differ materially from expectations.



auditcommittee report

MEMBERS

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Chairman/Independent Non-Executive Director
Datuk Khalid b Hj Husin
Member/Independent Non-Executive Director
Chan Fong Ann
Member/Independent Non-Executive Director
Dato' Yeo How CPA (M), CA (M)
Member/Executive Director

TERMS OF REFERENCE

1 Composition of Audit Committee

The Committee shall be appointed by the Board of Directors from among its members and shall consist of no fewer than three (3) members, with a majority of the Committee being Independent Non-Executive Directors and at least one member of the Committee being a member of the Malaysian Institute of Accountants.

The Committee shall elect a Chairman from among its members who is an Independent Non-Executive Director.

In the event that a member of an Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members.

2 Objectives

The primary objectives of the Audit Committee are to:

- i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiary companies' accounting and internal control systems, financial reporting and business ethics policies.
- ii Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the External Auditors, internal auditors and the management and providing a forum for discussion that is independent of the management. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosure to shareholders.
- iii Undertake such additional duties as may be appropriate and necessary to assist the Board.

3 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have:

- i Unrestricted access to any information pertaining to the Company and its subsidiary companies.
- ii Direct communication channels with both the external auditors and internal auditors.
- iii Full access to any employee or member of the management.

The Committee is also authorised by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

4 Duties and Responsibilities

In fulfilling its primary objectives, the Audit Committee will need to undertake the following duties and responsibilities summarised as follows:

- i To review with management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
- ii To consider the appointment of the external auditors, the terms of reference of their appointment, the audit fee and any questions of resignation or dismissal.
- iii To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group.
- iv To review the external auditors' management letter and management's response.
- v To review with the external auditors with regard to problems and reservations arising from their interim and final audits.
- vi To review with the external auditors, their audit report.
- vii To review the assistance given by employees to the external auditors.
- viii To review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- ix To review the internal audit programme and results of the internal audit programme and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function.
- x To review the Group's quarterly financial statements and the Group's and the Company's annual financial statements before submission to the Board.

The review shall focus on:

- any changes in accounting policies and practices
 - major potential risks issues, if any
 - significant adjustments and issues arising from the audit
 - the going concern assumption
 - compliance with the applicable approved accounting standards
 - compliance with stock exchange and legal requirements
- xi To review any related party transaction and conflict of interest situations that may arise within the Company or the Group.
 - xii To undertake any other activities as authorised by the Board.

5 Meetings

Number of Meetings

The Committee shall meet at least five (5) times a year or more frequently as circumstances dictate. The Chairman shall also convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

Attendance of Meetings

The head of finance and head of internal audit division and representatives of the external auditors shall normally be invited to attend meetings of the Committee. However, at least once a year the Committee shall meet with the external auditors without executive board members present. The Committee may also invite other directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

Quorum

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

6 Secretary to Audit Committee and Minutes

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.

ACTIVITIES

During the year, the Audit Committee discharged its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Committee were as follows:

- i Review of the external auditors' scope of work and their audit plan.
- ii Review with the external auditors the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
- iii Review the audited financial statements before recommending them for the Board of Directors' approval.
- iv Review the Company's compliance, in particular the quarterly and year end financial statements with the Listing Requirement of the Kuala Lumpur Stock Exchange and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- v Review of the quarterly unaudited financial results announcements before recommending them for the Board of Directors' approval.
- vi Review of the Internal Audit Department's resource requirement, programmes and plan for the financial year and the annual assessment of the Internal Audit Department's performance.

ACTIVITIES cont'd

- vii Review of the audit reports presented by Internal Audit Department on findings and recommendations and management's responses thereto and ensure that material findings are adequately addressed by management.
- viii Review of the related party transactions entered into by the Group.
- ix Review and assess the risk management activities of the Group.
- x Review of the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement on Internal Control pursuant to the KLSE Listing Requirements.

Number of Meetings and Details of Attendance

8 Audit Committee meetings were held during the financial year ended 30 June 2003. The attendance record of each member is as follows:

Audit Committee Members

	Total Number of Meetings	Number of Meetings Attended
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	8	8
Datuk Khalid b Hj Husin	8	7
Chan Fong Ann	8	8
Dato' Yeo How	8	8

INTERNAL AUDIT FUNCTION

The annual Internal Audit plan is approved by the Committee at the beginning of each financial year.

The Internal Audit Department performs routine audit on and reviews all operating units within the Group, with emphasis on principal risk areas. Internal Audit adopts a risk based approach towards planning and conduct of audits, which is partly guided by the Corporate Risk Management framework. Impact on IOI's vision is taken into consideration in determining the risk level as a holistic approach in contributing to the achievement of the Group's objective and enhancing shareholders' value.

106 audit assignments were planned and completed during the financial year on various operating units of the Group covering plantation, properties, hotels and other sectors. Audit reports were issued to the Audit Committee and Board of Directors, incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management comments on the findings. An established system has been in place to ensure that all remedial actions had been taken on the agreed audit issues and recommendations highlighted in the audit reports. Significant issues and matters unsatisfactorily resolved would be highlighted to the Audit Committee quarterly.

corporate governance

The Board of Directors of the Company fully subscribes to the principles and recommendations embodied in the Malaysian Code of Corporate Governance ("the Code") and strives to adopt the substance and not merely the form behind the corporate governance prescription.

In addition to the implementation of the Code, the Company's own corporate governance practices have always been guided by its "Vision IOI" framework whereby responsible and balanced commercial success is to be achieved by addressing the interests of all stakeholders, that is, our customers, our shareholders, our people, our business associates and our nation and the society in which we operate. A set of core values and guiding principles guides our people at all levels in the conduct and management of our business and affairs of the Group. We believe that good corporate governance results in quantifiable and sustainable long term success and creation of shareholder value as well as benefits for all other stakeholders. Hence, the Board of Directors is committed to ensuring that a high standard of corporate governance is practised throughout the IOI Group in the best interest of all stakeholders.

The Board is pleased to provide the following statement, which outlines how the Group has applied the principles laid down in the Code. Except for matters specifically identified, the Board of Directors has complied with the best practices set out in the Code.

THE BOARD OF DIRECTORS

Roles and Principal Duties

The Board takes full responsibility for the overall performance of the Company and of the Group.

The Board establishes the vision and strategic objectives of the Group, directing policies, strategic action plans and stewardship of the Group's resources towards realising "Vision IOI". It focuses mainly on strategies, financial performance, critical and material business issues and specific areas such as principal risks and their management, internal control system, succession planning for senior management, investor relations programme and shareholders' communication policy.

The executive directors take on primary responsibility for managing the Group's business and resources. The intimate knowledge of the executive directors and their "hands-on" management practices have enabled the Group to have leadership positions in its chosen industries.

Roles and Principal Duties cont'd

The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view, independent assessment and opinions on management proposals sponsored by the executive directors and a capable check and balance for the executive directors.

Although a relatively small board, it provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, legal and technical areas of the industries the Group is involved in. A key strength of this structure has been the speed of decision-making.

Board Composition and Balance

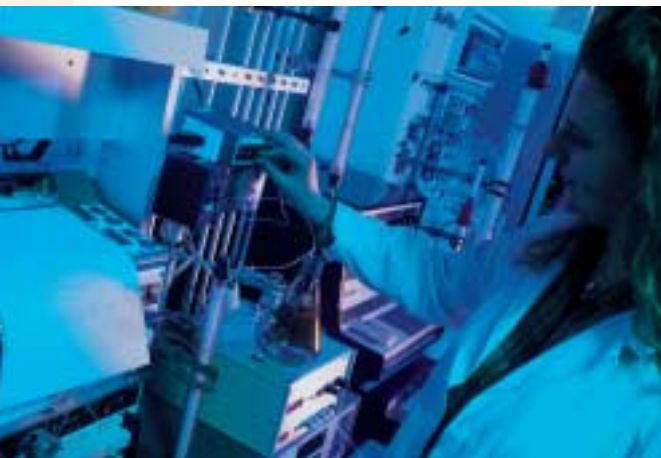
The Board comprises seven members, of whom four are executive directors and three are independent non-executive directors. The Board composition complies with the KLSE Listing Requirements that requires a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each director is presented on pages 26 to 29 of the Annual Report.



Board Composition and Balance cont'd

In his capacity as Executive Chairman, Tan Sri Dato' Lee Shin Cheng functions both as Chief Executive Officer and Chairman of the Board, having taken over from the previous Chairman who retired at the 1999 AGM. The Board is mindful of the convergence of the two roles, but is comfortable that there is no undue risk involved as all related party transactions are strictly dealt with in accordance with the Listing Requirements and with independent consultants to advise other board members and shareholders. In this respect, as an example, during the year, there was a proposal for the acquisition of five plantation companies in which Tan Sri Dato' Lee Shin Cheng and family have significant interest. The details of the proposal was announced to the KLSE on 20 March 2003 and it is as summarised in Note 41.4 of the financial statements on page 209 of this Annual Report. For the better understanding of the vigorous procedures involved that are meant to safeguard the interests of minority shareholders, the Board wishes to highlight that two firms of merchant bankers were appointed as financial advisers as well as a firm of professional valuers, to evaluate and advise the independent members of the Board prior to their approval of the Proposal and prior to the announcement to the KLSE. The Proposal is further subject to the approval of the Securities Commission and ultimately, to the approval of shareholders of the Company that are not interested parties to the Proposal.

The Board also has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations, as the case may be.



Board Composition and Balance cont'd

Besides, there is balance in the Board with the presence of independent directors who are individuals of credibility and repute and who demonstrate objectivity and robust independence of judgement.

Other than the three independent directors, the Board is not comprised of representative from shareholder other than a significant shareholder (i.e., Progressive Holdings Sdn Bhd) as the other major shareholders are mainly institutional funds that individually hold less than 10% shareholding in the Company.

The Board has identified Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor as the Senior Independent Non-Executive Director of the Board to whom concerns (of shareholders, management or others) may be conveyed.

Board Meetings

The Board has at least five regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary. Board meetings bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

9 Board meetings were held during the financial year ended 30 June 2003. The attendance record of each Director since the last financial year is as follows:

	Total Number of Meetings	Number of Meetings Attended
Executive Directors		
Tan Sri Dato' Lee Shin Cheng	9	8
Dato' Lee Yeow Chor	9	8
Dato' Yeo How	9	9
Lee Cheng Leang	9	9
Non-executive Directors		
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	9	9
Chan Fong Ann	9	9
Datuk Khalid b Hj Husin	9	8

Supply of Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports provide, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of the various business units and management proposals that require Board's approval.

Detailed periodic briefings on industry outlook, company performance and forward previews (forecasts) are also conducted for the directors to ensure the Board is well informed of the latest market and industry trend and development.

The Board has the services of two Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflict of interests in transactions with the Group. The Company Secretaries are also charged with highlighting all issues which they feel ought to be brought to the Board's attention.

Beside Company Secretaries, independent directors also have unfettered access to the financial and legal officers as well as the internal auditors of the Company.

In exercising their duties, Board committees are entitled to obtain professional opinions or advice from external consultant such as merchant bankers, valuers, human resource consultant and etc.

Appointment to the Board

The Nominating Committee of the Company comprises the independent directors. The committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nominating Committee considers the required mix of skills and experience which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

In FY 2003, there was no new appointment to the Board as the Board was satisfied that the present Board possesses adequate experience and expertise to efficiently oversee the management of the Group. Directors also attend Continuous Education Programme to keep abreast with new regulatory development and listing requirements.

Re-election

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

Upon the recommendation of the Nominating Committee, Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor and Lee Cheng Leang shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Remuneration

The Company's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities and is periodically benchmarked to market/industry survey conducted by human resource consultants.



Directors' Remuneration cont'd

The Remuneration Committee of the Company comprises the following Directors:

- 1 Tan Sri Dato' Lee Shin Cheng (*Chairman*)
- 2 Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
- 3 Chan Fong Ann

The committee ascertains and approves remuneration packages of executive directors in accordance with the Company's policy guidelines which set a proportionately high variable pay component to the remuneration package so as to strongly link remuneration to performances.

The remuneration package of the Executive Chairman is approved by the full Board and fees for directors are determined by the full Board with the approval from shareholders at the Annual General Meeting.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 30 June 2003 are as follows:



Directors' Remuneration cont'd

- Aggregate remuneration of Directors categorised into appropriate components:

In RM'000

	Fees	Salaries	Bonus and Incentives	Benefits-in-kind	EPF	Others	Total
Executive Directors	371	2,697	4,783	168	1,153	115	9,287
Non-executive Directors	114	-	-	13	-	178	305

- Number of Directors whose remuneration falls into the following bands:

Range of remuneration	Number of Directors	
	Executive	Non-executive
Below RM50,000	-	-
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	1
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-
RM300,001 to RM1,000,000	-	-
RM1,000,001 to RM1,050,000	1	-
RM1,050,001 to RM1,100,000	1	-
RM1,100,001 to RM6,900,000	-	-
RM6,900,001 to RM6,950,000	1	-

On 10 June 2003, the executive directors were offered a total of 4.2 million new ordinary shares under the ESOS Scheme. As at 30 June 2003, none of the options given during FY 2003 were exercised by the executive directors.

SHAREHOLDERS

Dialogue Between the Company and Investors

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors and the investing public at large with the objectives of providing as clear and complete a picture of the Group's performance and position as possible. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Dialogue Between the Company and Investors cont'd

The Company uses the following key investor relation activities to update investors, to explain its business and financial objectives and to solicit feedback from investors:

- Meeting with financial analysts and institutional fund managers;
- Participating in roadshows and investors conferences, both domestically and internationally; and
- Participating in teleconferences with investors and research analysts.

During the financial year, the Group had participated in approximately 10 roadshows and investor conferences and had approximately 80 meetings with financial analysts and investors.

Annual General Meeting and Other Communications with Shareholders

Historically, the Company's Annual General Meetings ("AGMs") have been well attended. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs, for suggestions and comments by shareholders to be noted by management for consideration.

Timely announcements are also made to the public with regard to the Company's quarterly results, corporate proposals and other required announcements to ensure effective dissemination of information relating to the Company and that accurate information are provided to the investing public at large.

The Group has also established several websites with the main one being www.ioigroup.com, for shareholders and the public to access corporate information, financial statements, news and events related to the Group on a timely basis.

The Group enjoys a relatively good scope of coverage and exposure to the investment community.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the Group and of the Company's state of affairs. Following discussions with the external auditors, the Directors consider that the Company uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Act. They have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

Financial Reporting

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects and ensures that the financial results are released to the KLSE well within the stipulated time frame.

Financial Reporting cont'd

In addition to Chairman's Statement, the Annual Report of the Company contains the following information to enhance shareholders' understanding of the business operations of the Group:

- Management's discussion and analysis.
- Financial trends and highlights, key performance indicators and other background industry notes deemed necessary.

Internal Control

The information on the Group's internal control is presented in the Statement on Internal Control in the Annual Report.

Audit Committee

The Company has an Audit Committee whose composition meets the Listing Requirement, i.e. independent directors forming the majority and a member who is a qualified accountant.

The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the Audit Committee. However, at least once a year the Committee meets with the external auditors without executive Board members present.

The Audit Committee is able to obtain external professional advice and to invite any outsider with relevant experience to attend its meeting, if necessary.

The role of the Audit Committee in relation to the external auditors and the number of meetings held during the financial year as well as the attendance record of each member are shown in the Audit Committee Report.



statement on internal control

INTRODUCTION

This Statement is made pursuant to the KLSE Listing Requirement with regard to the Group's compliance with the Principles and Best Practices provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance ('Code').

As a follow through from last year's disclosure, the Board is pleased to present below a status review of the Group's state of internal controls.

ACKNOWLEDGEMENT OF RESPONSIBILITY

The Board of Directors affirms that it is ultimately responsible for the Group's systems on internal controls that includes the assurance of its adequacy and integrity at all times, and its alignment with our business objectives. However, it should be noted, that these systems are designed to manage rather than eliminate the risks of failure to achieve business objectives; and as such, could only provide reasonable but not absolute assurance against material misstatement or loss.

NATURE OF OUR INTERNAL CONTROLS

The Board confirms that there is an on-going process for identifying, evaluating, managing and monitoring the significant risks that may affect the achievement of our business objectives. Our system of internal controls covers risk management, and financial, organisational, business, operational, administrative and compliance controls. These integrated systems are designed to manage both the internal and external environment dynamics to optimise the Group's ability to achieve its Vision and objectives through the successful execution of its strategies.

- **Enterprise Risk Management ('ERM') Framework**

Institutionalised and rolled out since 2002, the ERM Framework provides a relational, integrated, and disciplined approach for the Group's various businesses to systematically manage business risks and optimise business opportunities in relation to common objectives in various hierarchy of the organisation. The workings of the Framework entailed risks and opportunities identification and assessment, and the resulting control activities and action plans that address the aforementioned. Other key features of our ERM Framework includes:

- Diagnostic risk measure
- Guidelines on Operating Principles and Policy on risk management
- Built in reporting, monitoring, and review mechanism

As a Control Tool

Our internal control mechanisms – whether financial, administrative, operational, or regulatory compliance in nature – are carefully balanced to optimise benefits and efficiencies. The ERM Framework helps reinforce our decisions in implementing best practice controls on key processes that commensurate with given risks.

As a Strategic Tool

Besides managing the negative connotations of uncertainty, we consciously explore and exploit the opportunities it carries. We adopt risk management as a strategic tool in strategy formulation, investment and resource allocation, and as catalyst for process innovation and best practice initiatives.

NATURE OF OUR INTERNAL CONTROLS CONT'D

- **Information Systems**

Central to our Internal Control efforts is our Information Systems that provide the means for monitoring and communication of performance measures, key indicators, and the external environment. The degree of sophistication varies amongst the business segments, and is being periodically reviewed and upgraded.

- **Risk Based Audit Approach**

The ERM program provides sufficient documentation and groundwork to complement our risk based audit approach. Our independent internal audit – besides performing audit on the adequacy and integrity of internal controls – also provide audit assurance on the overall compliance and adequacy of the ERM Framework.

WORK DONE UNDER PERIOD REVIEWED

All divisions, operation, and functional units had begun the implementation of various control activities and action plans proposed or formulated since the last reporting period. The stages of implementation vary in accordance with the nature of control activities and plans – of which some entailed continuous on-going effort (i.e. quality improvement programs, customer relationship management programs, and competitiveness enhancement programs). We have periodically reviewed the progress of these, and we are satisfied with the emphasis given by the management on areas of significant risks, and on the overall pace of implementation.

In the period under review, the management represented in the respective unit's Risk Management Committee had engaged various cross-functional work committees to address emerging risks and opportunities in accordance with the Group's ERM Framework. New initiatives and risk mitigation plans have quickly emerged and being implemented – particularly those requiring fast response (i.e. during the SARs epidemic scares and the Iraq War in the 3rd quarter of our financial year). The management has also deployed the Group's Intranet and developed its own web application to facilitate communication of risk alerts and the coordination of initiatives and risk mitigation efforts. Particularly, the risk profile of the Group's various units is constantly updated and is accessible through our Intranet. This has helped create awareness and congruency in the overall risk management effort.

Based on the review, the Board is satisfied with the on-going progress for identifying, evaluating, managing and monitoring significant risks, and is of the opinion that the Group's Internal Control systems are adequate and of integrity.

BOARD'S CONCLUSION

The Board is pleased to disclose that the state of the Group's Internal Control Systems is sufficiently in line with the Code and the Guidelines (on Statement on Internal Control) issued by the KLSE. There are no significant control failure or weaknesses that would result in material loss and require disclosure in the Group's annual report for the financial year under review. The Board's conclusion is reached based on its review as mentioned above, and also on the following:

- Periodic audit reports and discussion with the Audit Committee
- Periodic management report on the state of the company's affairs which also covers the state of internal control
- Bi-annual risk review report as compiled by the respective risk management committees

statement of directors' interests in the Company and related corporations (as at 2 September 2003)

Name of Director

	Direct	(%)	Indirect	(%)
The Company				
No. of ordinary shares of 50 sen each				
Tan Sri Dato' Lee Shin Cheng	5,949,051	0.57	374,674,329	35.80
Dato' Lee Yeow Chor	448,000	0.04	346,878,949	33.15
Dato' Yeo How	110,000	0.01	-	-
Lee Cheng Leang	148,000	0.01	-	-
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	0.01	-	-
Chan Fong Ann	1,347,500	0.13	33,785,500	3.23
Datuk Khalid b Hj Husin	-	-	-	-
Subsidiaries				
IOI Properties Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	810,200	0.24	1,914,600	0.58
Dato' Lee Yeow Chor	15,000	-	1,914,600	0.58
Dato' Yeo How	4,000	-	-	-
Chan Fong Ann	11,200	-	-	-
Kapar Realty And Development Sdn Berhad				
No. of ordinary shares of RM1,000 each				
Tan Sri Dato' Lee Shin Cheng	100	27.03	-	-

Executive Share Option Scheme of the Company

Name of Director

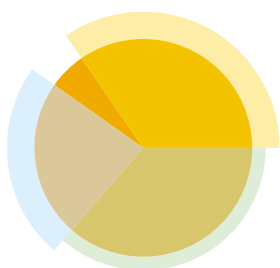
	Option Price	No. of Options
Tan Sri Dato' Lee Shin Cheng	RM5.20	1,500,000
Dato' Lee Yeow Chor	RM2.70/RM2.61*	150,000
Dato' Lee Yeow Chor	RM3.90/RM3.77*	80,000
Dato' Lee Yeow Chor	RM5.20	1,000,000
Dato' Yeo How	RM5.20	900,000
Lee Cheng Leang	RM5.20	700,000

* Adjusted Option Price with effect from 16 October 2002.

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

other information

COMPOSITION OF SHAREHOLDERS



- Largest Shareholders 36.4%
- Other Malaysian Body Corporate and Individuals 23.4%
- Government and Other Related Agencies 5.6%
- Foreigners 34.6%

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2003 or entered into since the end of the previous financial year except as disclosed in Note 41.4 to the financial statements included in this Annual Report.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOI Corporation Berhad ("IOI") Group for the financial year ended 30 June 2003 were as follows:

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Nice Frontier Sdn Bhd (1)	Purchase of estate produce by Sharikat Pukin Ladang Kelapa Sawit Sdn Berhad	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) 	4,354
Continental Estates Sdn Bhd (2)	Purchase of estate produce by Dynamic Plantation Berhad	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) 	22,033

other information cont'd

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Pilihan Megah Sdn Bhd, Dynamic Management Sdn Bhd and Flora Development Sdn Bhd (1) & (3)	Sale of plants and provision of landscaping services by IOI Landscape Services Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) 	942
Dynamic Management Sdn Bhd (1)	Rental of properties by Halusah Ladang Sdn Bhd (4)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) 	1,260
Permodalan Plantations Sdn Bhd	Purchase of estate produce and palm oil products by Morisem Palm Oil Mill Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (8) • Madam Lai Ming Chun @ Lai Poh Lin (9) 	61,879
Sakilan Desa Sdn Bhd	Purchase of estate produce and palm oil products by Halusah Ladang Sdn Bhd	<ul style="list-style-type: none"> • Madam Lai Ming Chun @ Lai Poh Lin (10) 	17,155
Palmco Plantations (Sabah) Sdn Bhd	Purchase of estate produce by Ladang Sabah Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) • Madam Lai Ming Chun @ Lai Poh Lin (14) 	20,220
Palmco Oil Mill Sdn Bhd	Sale of palm kernel oil, stearin and other palm oil products; and purchase of palm oil products by IOI Edible Oils Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	211,537

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Palmco Oil Mill Sdn Bhd	Sale and purchase of palm oil products by IOI Commodity Trading Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	9,395
Palmco Plantations (Sabah) Sdn Bhd	Management of oil palm estates by Halusah Ladang Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) • Madam Lai Ming Chun @ Lai Poh Lin (14) 	696
Sime Darby Berhad	Purchase of palm oil products by IOI Edible Oils Sdn Bhd	<ul style="list-style-type: none"> • Sime Darby Berhad (15) 	35,276
B.A. Plantations Sdn Bhd	Purchase of estate produce and palm oil products by Morisem Palm Oil Mill Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (16) • Puan Sri Datin Hoong May Kuan (17) • Dato' Lee Yeow Chor (18) 	24,482
Right Purpose Sdn Bhd	Purchase of estate produce and palm oil products by Halusah Ladang Sdn Bhd	<ul style="list-style-type: none"> • Madam Lai Ming Chun @ Lai Poh Lin (19) • Datuk Koh Kin Chee (20) • Richard Koh Kin Lip (21) 	18,112

other information cont'd

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Pine Capital Sdn Bhd	Purchase of estate produce and palm oil products by Morisem Palm Oil Mill Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (22) • Puan Sri Datin Hoong May Kuan (23) • Dato' Lee Yeow Chor (24) • Datuk Koh Kin Chee (25) • Richard Koh Kin Lip (26) 	29,538
Mayvin Incorporated Sdn Bhd	Sale of estate produce and palm oil products by Ladang Sabah Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (27) • Puan Sri Datin Hoong May Kuan (28) • Dato' Lee Yeow Chor (29) • Madam Lai Ming Chun @ Lai Poh Lin (30) • Datuk Koh Kin Chee (31) • Richard Koh Kin Lip (32) 	12,444
Mayvin Incorporated Sdn Bhd	Purchase of palm oil products by IOI Commodity Trading Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (27) • Puan Sri Datin Hoong May Kuan (28) • Dato' Lee Yeow Chor (29) • Madam Lai Ming Chun @ Lai Poh Lin (30) • Datuk Koh Kin Chee (31) • Richard Koh Kin Lip (32) 	107,094

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Mayvin Incorporated Sdn Bhd	Sale of FFB by Palmco Plantations (Sabah) Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (27) • Puan Sri Datin Hoong May Kuan (28) • Dato' Lee Yeow Chor (29) • Madam Lai Ming Chun @ Lai Poh Lin (30) • Datuk Koh Kin Chee (31) • Richard Koh Kin Lip (32) 	15,016
Affinity Future Sdn Bhd	Securing of transportation of CPO and PK by Morisem Palm Oil Mill Sdn Bhd, Ladang Sabah Sdn Bhd, Halusah Ladang Sdn Bhd and Syarimo Sdn Bhd	<ul style="list-style-type: none"> • Datuk Koh Kin Chee (33) 	5,616
Chop Lam Soon	Purchase of fertilizer by IOI which were subsequently distributed to various subsidiaries	<ul style="list-style-type: none"> • Lim Boon Kim (34) 	11,589
Malayapine Estates Sdn Bhd	Property project management services by Pilihan Megah Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (35) • Puan Sri Datin Hoong May Kuan (36) • Dato' Lee Yeow Chor (37) 	2,066

Note

- 1 Subsidiaries of IOI Properties Berhad ("IOI Properties").
- 2 An associated company of IOI Properties.
- 3 Subsidiaries of IOI Properties, which undertake property development activities of the IOI Properties Group.
- 4 The subject property is an office block located at No 7-10, Jalan Kenari 5, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan with a built-up area of 1,376 m2. It is being rented at a monthly rental of RM105,000 under an annually renewable agreement which expires in the month of April of the respective year.
- 5 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and IOI Properties and he is a Major Shareholder of IOI and holds 3,889,600 shares representing 1.17% stake in IOI Properties.
- 6 Dato' Lee Yeow Chor is a Director of IOI and IOI Properties and he is a Major Shareholder of IOI and holds 3,079,400 shares representing 0.93% stake in IOI Properties.
- 7 Dato' Yeo How is a Director of IOI and IOI Properties and he holds 210,000 shares representing 0.02% stake in IOI and 4,000 shares representing less than 0.01% stake in IOI Properties.
- 8 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and Permodalan Plantations Sdn Bhd ("Permodalan") and he is a Major Shareholder of IOI.
- 9 Madam Lai Ming Chun @ Lai Poh Lin is a Director of certain subsidiaries of IOI and Permodalan and she holds 2,196,287 shares representing 0.25% stake in IOI.
- 10 Madam Lai Ming Chun @ Lai Poh Lin is a Director of certain subsidiaries of IOI and Sakilan Desa Sdn Bhd and she holds 2,196,287 shares representing 0.25 % stake in IOI.
- 11 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and Palmco Holdings Berhad ("Palmco") and he is a Major Shareholder of IOI.
- 12 Dato' Lee Yeow Chor is a Director of IOI and Palmco and he is a Major Shareholder of IOI.
- 13 Dato' Yeo How is a Director of IOI and Palmco and he holds 210,000 shares representing 0.02% stake in IOI.
- 14 Madam Lai Ming Chun @ Lai Poh Lin is a Director of certain subsidiaries of IOI and Palmco Plantations (Sabah) Sdn Bhd and she holds 2,196,287 shares representing 0.25 % stake in IOI.
- 15 Sime Darby Berhad is a Major Shareholder of Palmco, a subsidiary of IOI.
- 16 Tan Sri Dato' Lee Shin Cheng is a Major Shareholder of IOI and B. A. Plantations Sdn Bhd ("BA") and a Director of IOI and BA.
- 17 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and BA.
- 18 Dato' Lee Yeow Chor is a Major Shareholder of IOI and BA and a Director of IOI and BA.
- 19 Madam Lai Ming Chun @ Lai Poh Lin is a Director of certain subsidiaries of IOI and Right Purpose Sdn Bhd ("Right Purpose") and she is a Major Shareholder of Right Purpose and holds 2,196,287 shares representing 0.25 % stake in IOI.
- 20 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and Right Purpose and he is a Major Shareholder of Right Purpose and holds 3,350,936 shares representing 0.38 % stake in IOI.
- 21 Mr Richard Koh Kin Lip is a Director of certain subsidiaries of IOI and Right Purpose and he is a Major Shareholder of Right Purpose and holds 3,350,936 shares representing 0.38% stake in IOI.
- 22 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Pine Capital Sdn Bhd ("Pine Capital").
- 23 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Pine Capital.
- 24 Dato' Lee Yeow Chor is a Major Shareholder of IOI and Pine Capital and he is a Director of IOI.
- 25 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and a Major Shareholder of Pine Capital and holds 3,350,936 shares representing 0.38 % stake in IOI.
- 26 Mr Richard Koh Kin Lip is a Director of certain subsidiaries of IOI and a Major Shareholder of Pine Capital and holds 3,350,936 shares representing 0.38 % stake in IOI.

- 27 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Mayvin Incorporated Sdn Bhd ("Mayvin").
- 28 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Mayvin.
- 29 Dato' Lee Yeow Chor is a Major Shareholder of IOI and Mayvin and he is a Director of IOI.
- 30 Madam Lai Ming Chun @ Lai Poh Lin is a Director of certain subsidiaries of IOI and Mayvin and she is a Major Shareholder of Mayvin and holds 2,196,287 shares representing 0.25 % stake in IOI.
- 31 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and he is a Major Shareholder of Mayvin and holds 3,350,936 shares representing 0.38 % stake in IOI.
- 32 Mr Richard Koh Kin Lip is a Director of certain subsidiaries of IOI and Mayvin and he is a Major Shareholder of Mayvin and holds 3,350,936 shares representing 0.38 % stake in IOI.
- 33 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and he is a Major Shareholder of Affinity Future Sdn Bhd and holds 3,350,936 shares representing 0.38 % stake in IOI.
- 34 Mr Lim Boon Kim is a Director of certain subsidiaries of IOI and he is the owner of Chop Lam Soon.
- 35 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Malayapine Estates Sdn Bhd ("Malayapine").
- 36 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Malayapine.
- 37 Dato' Lee Yeow Chor is a Director of IOI and Malayapine and he is a Major Shareholder of IOI.

- Notwithstanding the related party disclosure already presented in the financial statements in accordance with Malaysian Accounting Standards Board Standard No. 8 ("MASB 8"), the above disclosure are made in order to comply with Paragraph 10.09 of the KLSE Listing Requirements ("Listing Requirements") with regard to value of related party transactions of a revenue nature conducted in accordance with shareholders' mandate during the financial year, as the scope of related party relationships and disclosure contemplated by the Listing Requirements are, to certain extent, different from those of MASB 8.
- The shareholdings of the respective interested Directors/Major shareholders as shown above are based on information disclosed in the Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature dated 26 September 2002.

seniormanagementteam

GROUP CHIEF EXECUTIVE OFFICER

Tan Sri Dato' Lee Shin Cheng

GROUP EXECUTIVE DIRECTORS

Dato' Lee Yeow Chor

Dato' Yeo How

Lee Cheng Leang

PLANTATION

Dato' Foong Lai Choong

Group Plantation Director

Lai Ming Chun@Lai Poh Lin

Executive Director, Sabah

Yong Chin Fatt

General Manager,

Group Commodities Marketing

Lee Ah Kow

General Manager, Mill and Engineering

Tan Peng Chan

General Manager, Sandakan

Kew Haw Gee

Acting General Manager, Lahad Datu

Plantation Controllers

Goh Hock Sin

Lee Foo Wah

Tay Ching An

Tee Ke Hoi

Peter Lim Kim Huan

Research Controller

Lim Eik Hoy

Chief Accountant

REFINERY

Wong Chee Kuan

General Manager

Sudhakaran A/L Nottath Bhaskaran

Assistant General Manager

PROPERTY

David Tan Thean Thye

Property Director

Tee Kok Tong

Executive Director,

Nice Skyline Sdn Bhd

General Manager

Simon Heng Kwang Hock

Assistant General Managers

Lee Thian Yew

Lim Beng Yeang

Ben Yeoh Cheong Beng

Senior Complex Managers

Chin Kee Liang

Ronnie Aurther Francis

Michael Chai Chee Loong

Chief Accountant

OLEOCHEMICALS

Dr Barry Kheng Cheok Tan

Chief Executive Officer

Lee Sing Hin

Deputy Chief Executive Officer

Chan Choung Yau

Financial Controller

SPECIALTY OILS AND FATS

Etienne Seloisse

Chief Executive Officer

Loders Croklaan

Executive Directors

Cyril Clark

David Masters

HOTEL

General Managers

Otto Paul Seeman

Muhamad Ariff Ng

GOLF CLUB

Lim Hock Seng

Assistant General Manager

CORPORATE

Lee Ai Leng

Group Legal Adviser/

Company Secretary

Choo Kah Yean

Senior Manager, Corporate Planning

Kong Chee Khoon

Senior Manager, Corporate Finance

Lam Kam Choong

Senior Manager, Corporate Affairs

Lee Yoke Har

Senior Manager, Legal / Group

Operations

Soon Yeong Chyan

Group Accountant

Yap Chon Yoke

Company Secretary

INTERNAL AUDIT

Internal Audit Managers

Fan Sze Sze

Prithipal Singh

groupbusinessstructure

Plantation

Plantation Subsidiaries

Oil Palm, Rubber, CPO Mill and
Latex Concentrate

Property Development and Investment

IOI Properties Berhad Group*

Property Subsidiaries

Township Development

Shopping Mall, Office Complex

Hotel and Resorts

Resource-based Manufacturing

Palmco Holdings Berhad Group*

Oleochemicals

IOI Edible Oils Sdn Bhd

Palm Oil Refinery/Palm Kernel Crushing

Loders Crocklaan

Specialty Oils and Fats

* Companies listed on the Kuala Lumpur Stock Exchange



North America

USA : Channahon and New Jersey

Canada : Ontario

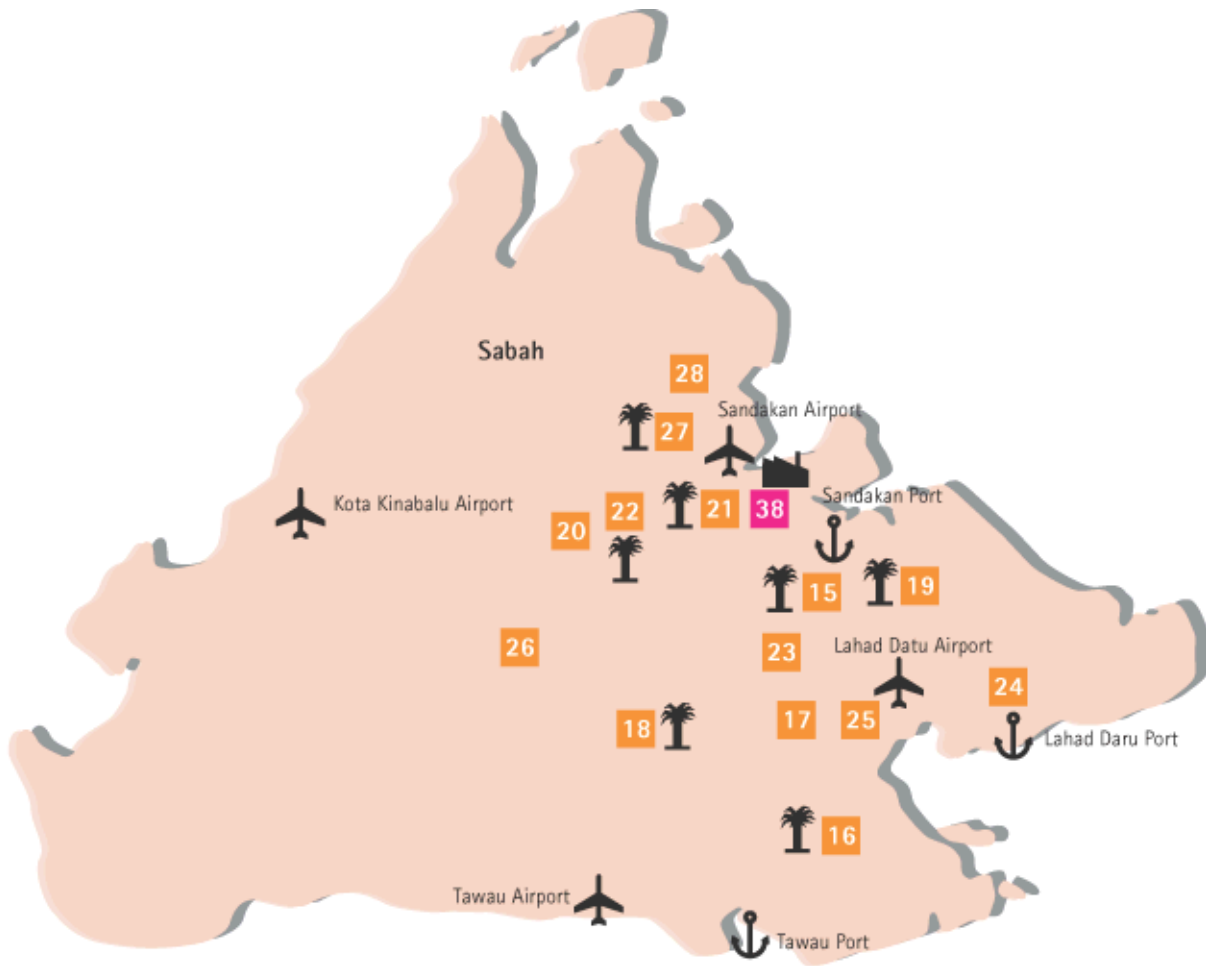
South America

Brazil : Sao Paolo



location of operations in malaysia





corporatecalendar

AUGUST 2002

- IOI Corporation Berhad ("IOI") disposed its 3,000,000 ordinary shares of RM1.00 each in Kanzen Tetsu Sdn Bhd ("KTSB"), representing 30% interest of the issued and paid-up share capital of KTSB, to FACB Industries Incorporated Berhad for a cash consideration of RM11 million.

SEPTEMBER 2002

- Cahaya Kota Development Sdn Bhd acquired the entire issued and paid-up share capital of Tanda Bestari Development Sdn Bhd for a total cash consideration of RM10 million.

OCTOBER 2002

- IOI acquired 23,738,316 ordinary shares of RM1.00 each in Palmco Holdings Berhad ("Palmco Shares") from Servitel Development Sdn Bhd, a subsidiary of Sime Darby Berhad ("Sime") for a cash consideration of RM110 million or RM4.60 per share.

Subsequently, IOI distributed 38,483,497 Palmco Shares to the shareholders of IOI on the basis of one Palmco Share for every twenty four ordinary shares of RM0.50 each held in IOI ("Capital Distribution") and completed the placement arrangement of the Palmco Shares which might otherwise be received under the Capital Distribution by shareholders of IOI who were not deemed as public shareholders under the Kuala Lumpur Stock Exchange's Listing Requirements.



- The exercise price of Warrants 1995/2003 and option price of the Executive Share Option Scheme were adjusted pursuant to the Capital Distribution.

NOVEMBER 2002

- Palmco Shares were requoted on the Main Board of the Kuala Lumpur Stock Exchange.
- IOI completed the acquisition of the entire business of Loders Croklaan, one of the leading global suppliers of specialty oils and fats to the food sector, from Unilever Group for a total cash consideration of EUR217 million.
- IOI emerged as the Winner of the Annual Report Award under the Plantation and Mining category of the NACRA 2002 Annual Reports Competition organized jointly by KLSE, MIA, MICPA and MIM. The award was in recognition of outstanding achievement in corporate reporting.

DECEMBER 2002

- IOI Properties Berhad ("IOIPB"), Palmco Holdings Berhad ("Palmco") and IOI earned creditable placings among the Top 20 of The Edge's List of the "Top 100 Companies that Gave the Best Returns to Shareholders". IOIPB took pole position for both the 5-year and 10-year period rankings respectively, Palmco came to 6th placing under the 5-year rankings, while institutional investor's favourite, IOI was number 14.



JANUARY 2003

- Palmco acquired the entire issued and paid-up share capital of Unipamol Malaysia Sdn Bhd and 49.99% of issued and paid-up share capital of Pamol Plantations Sdn Bhd from the wholly owned subsidiaries of Unilever plc for RM580 million cash. The acquisition increased its plantation holdings from 6,170 ha to 29,215 ha and provided a greater degree of strategic hedge to the group's earnings volatility.
- IOI was rated by investors among the cream of public-listed companies operating in Malaysia during 2002 in Asiamoney's 11th Best Managed Companies of Asia Poll. Under Overall Best Managed Company category for Malaysia, IOI was voted 3rd place. It also scored favourably within the top 5 rungs viz:

- Overall Best Investor Relations	- 3rd
- Best Corporate Strategy	- 2nd
- Best Operational Efficiency	- 3rd
- Best Access to Senior Management	- 2nd
- Best Treatment of Minority Shareholders	- 2nd
- Best Communications with Shareholders/Investors	- 5th
- IOIPB achieved MS ISO 9001:2000 accreditation from SIRIM whereby IOIPB's Quality Management System meets SIRIM's stringent requirements in ensuring compliance with policies and procedures established for its property development, implementation and delivery systems.



MARCH 2003

- IOI achieved a 5th placing from a total of 144 companies that were surveyed by CFO Asia, an Asian-based financial magazine. IOI and IOIPB were adjudged the Overall Winners under the category for Financial Highlights.
- IOI entered into several conditional sales and purchase agreements with several vendors to acquire the entire equity interest in the following companies for a total consideration of RM608 million:
 - B.A. Plantations Sdn Bhd
 - Mayvin (Sabah) Sdn Bhd
 - Pine Capital Sdn Bhd
 - Right Purpose Sdn Bhd
 - Mayvin Incorporated Sdn Bhd
- IOI Edible Oils launched its "Safety and Cleanliness Campaign 2003". Numerous activities in line with the safety, cleanliness and health theme were carried out such as safety talk on personal protection equipment, chemical handling and safe driving; talks by the Director of Jabatan Pengangkutan Jalan and IOI Safety Officer to heighten awareness of IEO's rules of product safety and security checks; cleanliness programmes such as gotong royong and 5S cleanliness competition, blood donation and many more.



APRIL 2003

- The subscription rights of the Warrants 1995/2003 were expired.
- Sakilan Desa Sdn Bhd ("SDSB") disposed of its 3,000,000 ordinary shares of RM1.00 each in Minat Teguh Sdn Bhd ("MTSB"), representing 30% interest of the issued and paid-up share capital of MTSB to IJM Plantations Sdn Bhd, a wholly-owned subsidiary of IJM Plantations Berhad for a consideration of RM13 million. The consideration was satisfied with the issue of 13,684,211 ordinary shares of RM1.00 each in IJM Plantations Berhad to SDSB at RM0.95 per share.

AUGUST 2003

- IOI Mall, Puchong was given a face-lift to give it a fresh new look by the attractive repainting work that injected a more lively and vibrant facade befitting its position as Puchong's premier shopping and entertainment destination.
- On 1 August 2003, the Renaissance Palm Garden Hotel was renamed as Palm Garden Hotel ("PGH"). PGH is now managed directly by Resort Villa Golf Course Development Sdn Bhd, a subsidiary of IOI. The name change promises a new direction for the hotel in providing even more personalised and distinctive services enhanced by our signature of warm Malaysia hospitality.



social contributions

- In conjunction with the 45th Merdeka Day celebrations of Malaysia organized by Universiti Putra Malaysia for its undergraduates and academic staff, IOI Corporation Berhad ("IOI") sponsored the various programs that were planned for the Independence Month Celebration. It was hoped through such programs, citizens of Malaysia will value and appreciate the meaning of independence. The various activities helped to foster greater unity and patriotism amongst the university students and the academic staff and nearby communities.
- During a special ceremony graced by Tuanku Chancellor of Universiti Putra Malaysia, DYMM Sultan Sharafuddin Idris Shah Ibni Almarhum Sultan Salahuddin Abdul Aziz Al-Haj, IOI made a special contribution of RM1 million to fund the inception of a Professorial Chair in Plantation Agriculture in the said University.
- The Yayasan Tan Sri Dato' Lee Shin Cheng's Scholarship and Young Achievers' Awards 2002 was again held at IOI Research Centre on 12 December 2002. Parents of selected winners of the Awards were invited to share this proud moment in their children's excellent scholastic achievements where recipients were awarded with cash incentives, certificates and plaques to encourage them to excel further in their academic pursuits.
- Propagating goodwill and charity during the festive season has been a trademark of staff of Palm Garden Golf Club ("PGGC"). PGGC staffs' assisted the staff of "RUMAH KANAK-KANAK ISTIMEWA KAJANG" to shift their belongings from their old premises to the new one in Kajang Utama by unloading heavy furniture and cleaning the premises for these under privileged children.



socialcontributions cont'd

- In conjunction with the SUKMA IX GAMES held in Kota Kinabalu, Sabah; IOI Recreation Club, Sabah with a force of 20 participants took part in the "Larian Obor" whereby they had the honour of completing the final $\frac{1}{2}$ km run which ended at IOI Sabah office. It was the last pit-stop for the Lahad Datu District.
- Palm Garden Hotel ("PGH") played its part for the Palestinian Humanitarian Run cum Treasure Hunt held in Putrajaya by being the official hotel for the treasure hunt and sponsoring the VIP coffee break. It also joined in the sales of the tickets for the treasure hunt. The Prime Minister and the Minister of Youth and Sports lent their support to the event through their gracious presence and participation.
- In conjunction with the month of Ramadan, PGH hosted a charity "Buka Puasa" for orphans from Asrama Damai Puteri Anak-anak Yati of Kuang, co-organised by Helmi Resources Sdn Bhd. Over 80 orphans were treated to a "Buka Puasa" spread and joined by associates of the Hotel.
- IOI was a key contributor for the establishment of CPTM Endowment Fund which is a MIGHT (Malaysian Industry-Government Group for High Technology) initiated project to develop Smart Partnerships in Technology Management between developing countries within the Commonwealth.
- IOI Group a Gold Sponsor for the 7th World Chinese Entrepreneurs Convention held in Malaysia for the first time. This prestigious international event was organized by ACCCIM, supported by the Ministry of Culture, Arts & Tourism. The event brought together a large gathering of entrepreneurs from all corners of the world.



- IOI contributed RM100,000 for the launching of Yayasan Raja Muda Selangor, by DYMM Sultan Sharafuddin Idris Shah. The Yayasan aims to assist youth to realize their potential by primarily embarking on projects on pro-active ways to help them as well as giving financial assistance to those pursuing further studies in Art, Music, Fashion Design, etc. IOI was given a set of "Royal Collection" by our patron as a token of appreciation and in commemorating the Coronation of the 9th Sultan of Selangor.
- Persatuan Pegawai Bersekutu Pertahanan Awam Malaysia was formed to establish the Civil Defence Programme, a national agenda for the safety of the nation while its mission is to convey and educate civilians on safety measures & disaster awareness. In conjunction with their 51st Anniversary, IOI contributed RM20,000 during their fund-raising dinner in Putrajaya Marriott Hotel.
- The Kelab Keluarga IOI again successfully organized another Blood, Organ & Tissue Donation Campaign held at busy IOI Mall Puchong. A total of 79 blood donors and 29 participants registered themselves as organ donors. A vote of thanks to the generosity and care shown by fellow Malaysians from all walks of life.
- PGH sponsored an Educational Trip to Taman Botani for some handicapped children of Pusat Kasih Sayang during the Charity Lunch for "Pusat Pemulihan Dalam Komuniti, Pusat Kasih Sayang. After the excursion to the Prime Minister's residence and Taman Botani, the children and their parents and mentor were treated to a sumptuous set lunch while being entertained by music, games and gifts and the company of PGH associates.





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directors' report

The Directors of IOI Corporation Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the cultivation of oil palm and rubber and processing of palm oil and rubber.

The principal activities of the subsidiaries and associates are set out in Note 44 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except for the acquisition of Loders Croklaan B. V. and the related businesses as disclosed in Note 34.1 to the financial statements.

FINANCIAL RESULTS

The audited results of the Group and of the Company for the financial year ended 30 June 2003 are as follows:

In RM'000

	Group	Company
Profit before taxation	812,626	203,687
Taxation	(161,093)	(55,306)
Profit after taxation	651,533	148,381
Minority interests	(149,481)	-
Net profit attributable to shareholders	502,052	148,381

DIVIDENDS

A final dividend of 18% less income tax in respect of the financial year ended 30 June 2002 amounting to RM57,167,507 was paid on 6 November 2002 as dealt with in the Directors' Report of that financial year. In addition, the Company paid an amount of RM2,738,831 in respect of the same dividend payment to account for the issue of 45,688,918 new shares arising from the exercise of options granted under the Executive Share Option Scheme and warrants and net of the buy back of 3,423,000 shares subsequent to the financial year-end but before the book closure for dividend entitlement.

On 18 February 2003, the Directors declared an interim dividend of 20% less income tax amounting to RM74,934,674 in respect of the financial year ended 30 June 2003. The dividend was paid on 25 April 2003, to shareholders whose names appear in the Record of Depositors at the close of business on 15 April 2003.

DIVIDENDS cont'd

On 15 August 2003, the Directors declared a second interim tax-exempt dividend of 20% in respect of the financial year ended 30 June 2003. The dividend is payable on 18 September 2003, to shareholders whose names appear in the Record of Depositors at the close of business on 5 September 2003. Based on the outstanding issued and paid-up ordinary shares of the Company as at 30 June 2003 of 1,044,176,685, the second interim dividend amounts to RM104,417,669.

No final dividend was recommended for the financial year ended 30 June 2003.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued the following ordinary shares of RM0.50 each for cash:

No. of Shares	Terms of Issue	Purpose of Issue
364,000	Issued at RM2.13 per share	Exercise of options granted under the Executive Share Option Scheme
689,000	Issued at RM2.20 per share	Exercise of options granted under the Executive Share Option Scheme
221,000	Issued at RM2.37 per share	Exercise of options granted under the Executive Share Option Scheme
17,000	Issued at RM2.42 per share	Exercise of options granted under the Executive Share Option Scheme
326,000	Issued at RM2.45 per share	Exercise of options granted under the Executive Share Option Scheme
149,000	Issued at RM2.61 per share	Exercise of options granted under the Executive Share Option Scheme
490,000	Issued at RM2.70 per share	Exercise of options granted under the Executive Share Option Scheme
403,000	Issued at RM2.71 per share	Exercise of options granted under the Executive Share Option Scheme
785,000	Issued at RM2.80 per share	Exercise of options granted under the Executive Share Option Scheme
110,000	Issued at RM3.38 per share	Exercise of options granted under the Executive Share Option Scheme
822,000	Issued at RM3.58 per share	Exercise of options granted under the Executive Share Option Scheme
1,654,000	Issued at RM3.70 per share	Exercise of options granted under the Executive Share Option Scheme
397,000	Issued at RM3.77 per share	Exercise of options granted under the Executive Share Option Scheme
470,000	Issued at RM3.90 per share	Exercise of options granted under the Executive Share Option Scheme
136,654,279	Issued at RM3.25 per share	Exercise of warrants
41,273,793	Issued at RM3.35 per share	Exercise of warrants

The above-mentioned shares rank pari passu with the then existing issued shares of the Company.

There were no issue of debentures by the Company during the financial year.

WARRANTS 1995/2003

Pursuant to a deed poll dated 28 September 1995 ("Deed Poll"), the Company has on 31 October 1995 issued 209,158,409 warrants ("Warrants") in conjunction with the issue of RM225,000,000 nominal amount of 4% Redeemable Unsecured Loan Stocks 1995/2000.

The salient features of the Warrants as per the Deed Poll are as follows:

- i Each Warrant entitles the registered holder at any time during the subscription period to subscribe for one new ordinary share of RM0.50 each at an exercise price of RM3.35 per ordinary share.
- ii The subscription price may be adjusted, where appropriate under circumstances provided in the Deed Poll.
- iii The subscription period is four and a half-years from the date of issue to expire on 30 April 2000.
- iv The Warrant holder has no right to participate by virtue of the Warrants in any other share issue of any other company.
- v Upon expiry of the subscription period, any unexercised subscription rights will lapse and cease to be valid for any purpose.

On 18 November 1999, the shareholders and the Warrant holders of the Company have approved the extension of the exercise period of the outstanding Warrants. The salient terms of the extension as per the supplemental deed polls dated 17 December 1999 and 25 August 2001 are as follows:

- i The original exercise period of the Warrants shall be extended for one year from 1 May 2000 to 30 April 2001.
- ii The exercise period of the Warrants may be extended beyond 30 April 2001, up to four (4) consecutive periods of one (1) year each from 1 May 2001 ("Further Extension"), provided that the daily weighted average market price of the shares in the Company quoted on the Kuala Lumpur Stock Exchange ("KLSE") at a premium of less than twenty percent (20%) of the subscription price of RM3.35 on any one of the thirty (30) consecutive market days prior to the 31st day of January of the year of expiry of the relevant extension period.
- iii The Company to announce to the KLSE on any Further Extension, three months prior to the expiry dates of the Warrants.
- iv The exercise price of the Warrants of RM3.35 per share will not be revised other than those adjustments provided for in the Deed Poll.

WARRANTS 1995/2003 cont'd

During the previous financial year, the Warrants were extended for another year from 1 May 2002 to 30 April 2003 ("Warrants 1995/2003") pursuant to clause 5A of the supplemental deed poll dated 17 December 1999.

On 16 October 2002, pursuant to the capital distribution of the Company of 38,583,497 ordinary shares of RM1.00 each of Palmco Holdings Berhad ("Palmco Shares") to the shareholders of the Company for free on the basis of one (1) Palmco Share for every twenty four (24) ordinary shares of RM0.50 each held in the Company ("Capital Distribution"), the exercise price of the Warrants 1995/2003 was adjusted from RM3.35 to RM3.25 in accordance with condition 39(1)(c) of the second schedule of the Deed Poll.

The subscription rights of the Warrants 1995/2003 expired on 30 April 2003 pursuant to the conditions stipulated in the Deed Poll and the supplemental deed polls.

The movement of Warrants 1995/2003 during the financial year is as follows:

	No. of Warrants 1995/2003		
	As at 01.07.2002	Exercised	Expired
Subscription Price			As at 30.06.2003
RM3.35/RM3.25 (<i>with effect from 16 October 2002</i>)	181,527,431	177,928,072	3,599,359
			-

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was implemented on 5 April 1995 for the benefit of the executives and full time executive directors of the Group. The committee appointed by the Board of Directors to administer the ESOS ("Option Committee"), may from time to time offer options to eligible executives of the Group to subscribe for new ordinary shares of RM0.50 each in the Company.

During the financial year, the Company has obtained the necessary approvals from shareholders and the relevant authorities to amend the Bye-Laws of ESOS to allow the Company to enjoy certain flexibilities introduced by the Securities Commission ("SC") under the revised guidelines on employee share option scheme issued by the SC on 10 May 2001.

The salient features of the ESOS after the amendments are as follows:

- The maximum number of shares to be offered and allotted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- Eligible executives are confirmed executives with at least one year service as at date of offer including full time executive directors of any company comprised in the Group and foreign executives of the Group who are in service for at least five years as at date of offer.

EXECUTIVE SHARE OPTION SCHEME cont'd

- iii No option shall be granted for less than 1,000 shares or more than 2,000,000 shares.
- iv Any allotment of options to the selected eligible executives who are directors or part of senior management shall not exceed 50% of the available balance and any allotment to a selected eligible executive who is also a major shareholder shall not exceed 10% of the available balance.
- v The option price for ordinary share of RM0.50 each shall be a price to be determined by the Board upon the recommendation of the Option Committee which is at a discount of not more than 10% on the weighted average market price of the shares of the Company as shown in the Daily Official List issued by the KLSE for the five market days preceding the date of offer or the par value of the shares, whichever is higher.
- vi The original option period of five years that expired on 4 April 2000, was extended for another five years to expire on 4 April 2005.
- vii The options granted may be exercised at anytime within the option period from the date of offer of the option.
- viii The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 1,000 shares.
- ix Grantee of the option has no right to participate by virtue of the option in any other share issue of any other company.

During the financial year, pursuant to the Capital Distribution, the option price of the ESOS was adjusted in accordance with section 14.1(b) of the Bye-Laws of ESOS as follows:

In RM

Original Option Price	Adjusted Option Price
RM2.20	RM2.13
RM2.45	RM2.37
RM2.50	RM2.42
RM2.70	RM2.61
RM2.80	RM2.71
RM3.50	RM3.38
RM3.70	RM3.58
RM3.90	RM3.77

EXECUTIVE SHARE OPTION SCHEME cont'd

The movements of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

Option Price	Date of Offer	No. of Share Options			
		As at 01.07.2002	Offered and Accepted	Exercised	Lapsed As at 30.06.2003
RM2.80/RM2.71 *	11.05.1995	3,049,000	-	1,188,000	423,000
RM2.50/RM2.42 *	06.01.1996	17,000	-	17,000	-
RM2.70/RM2.61 *	10.01.1996	244,000	-	69,000	30,000
RM3.50/RM3.38 *	26.04.1996	110,000	-	110,000	-
RM3.90/RM3.77 *	08.11.1996	1,715,000	-	867,000	22,000
RM2.70/RM2.61 *	27.08.1997	1,258,000	-	570,000	137,000
RM2.20/RM2.13 *	23.12.1998	515,000	-	434,000	46,000
RM2.20/RM2.13 *	01.12.1999	1,415,000	-	619,000	222,000
RM2.45/RM2.37 *	06.01.2001	706,000	-	547,000	83,000
RM3.70/RM3.58 *	28.12.2001	3,648,000	-	2,476,000	126,000
RM5.20	10.06.2003	-	10,893,000	-	-
Total		12,677,000	10,893,000	6,897,000	1,089,000
					15,584,000

* With effect from 16 October 2002

In respect of the total 10,893,000 options offered and accepted during the financial year at an option price of RM5.20 ("the Option"), the basis of allocation of the Option has been verified by the external auditors in accordance with the Bye-Laws of ESOS.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Tan Sri Dato' Lee Shin Cheng

Dato' Lee Yeow Chor

Dato' Yeo How

Lee Cheng Leang

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor

Datuk Khalid b Hj Husin

Chan Fong Ann

In accordance with Article 101 of the Company's Articles of Association, Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor and Lee Cheng Leang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Chan Fong Ann who has attained the age of seventy, retires in accordance with Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting. The Directors recommend that he be re-appointed in accordance with Section 129(6) of the said Act and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in the ordinary shares and warrants of the Company and its related corporations are as follows:

Direct Interests

	As at 01.07.2002	Acquired	Disposed/ Exercised	As at 30.06.2003
The Company				
No. of ordinary shares of RM0.50 each				
Tan Sri Dato' Lee Shin Cheng	4,349,051	1,100,000	-	5,449,051
Dato' Lee Yeow Chor	238,000	200,000	60,000	378,000
Dato' Yeo How	100,000	190,000	80,000	210,000
Lee Cheng Leang	160,000	-	12,000	148,000
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	-	-	65,000
Chan Fong Ann	1,098,000	249,500	-	1,347,500
No. of Warrants 1995/2003				
Tan Sri Dato' Lee Shin Cheng	1,100,000	-	1,100,000	-
Dato' Lee Yeow Chor	200,000	-	200,000	-
Chan Fong Ann	249,500	-	249,500	-
Subsidiaries				
IOI Properties Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	810,200	-	-	810,200
Dato' Lee Yeow Chor	15,000	-	-	15,000
Dato' Yeo How	4,000	-	-	4,000
Chan Fong Ann	11,200	-	-	11,200
Kapar Realty And Development Sdn Berhad				
No. of ordinary shares of RM1,000 each				
Tan Sri Dato' Lee Shin Cheng	100	-	-	100

DIRECTORS' INTERESTS cont'd

Indirect Interests

	As at 01.07.2002	Acquired	Disposed/ Exercised	As at 30.06.2003
The Company				
No. of ordinary shares of RM0.50 each				
Tan Sri Dato' Lee Shin Cheng	265,613,519	105,915,510	60,000	371,469,029
Dato' Lee Yeow Chor	245,028,139	98,715,510	-	343,743,649
Chan Fong Ann	27,804,000	5,981,500	-	33,785,500
No. of Warrants 1995/2003				
Tan Sri Dato' Lee Shin Cheng	98,010,410	-	98,010,410	-
Dato' Lee Yeow Chor	90,810,410	-	90,810,410	-
Chan Fong Ann	5,981,500	-	5,981,500	-
Subsidiary				
IOI Properties Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	3,079,400	-	-	3,079,400
Dato' Lee Yeow Chor	3,079,400	-	-	3,079,400

The movements of the options over unissued shares of the Company granted under the Executive Share Option Scheme to the Directors in office at the end of the financial year are as follows:

Director	Option Price	No. of Share Options		
		As at 01.07.2002	Offered and Accepted	As at 30.06.2003
Tan Sri Dato' Lee Shin Cheng	RM2.80/RM2.71 *	500,000	-	500,000
Tan Sri Dato' Lee Shin Cheng	RM5.20	-	1,500,000	1,500,000
Dato' Lee Yeow Chor	RM2.70/RM2.61 *	220,000	-	220,000
Dato' Lee Yeow Chor	RM3.90/RM3.77 *	80,000	-	80,000
Dato' Lee Yeow Chor	RM5.20	-	1,000,000	1,000,000
Dato' Yeo How	RM2.80/RM2.71 *	190,000	-	-
Dato' Yeo How	RM5.20	-	1,000,000	1,000,000
Lee Cheng Leang	RM5.20	-	700,000	700,000

* With effect from 16 October 2002

DIRECTORS' INTERESTS cont'd

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares and warrants of the Company or its related corporations.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the share options granted to Directors of the Company pursuant to the Company's Executive Share Option Scheme.

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefits as disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or by a related corporation with a Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 37 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- i to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- ii to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business of the Group and of the Company have been written down to an amount which they might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS cont'd

As at the date of this report, the Directors are not aware of any circumstances:

- i which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- ii which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- iii which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

As at the date of this report, there does not exist:

- i any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- ii any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due.

OTHER STATUTORY INFORMATION

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the respective financial statements as misleading.

In the opinion of the Directors:

- i the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 6 and Note 45 to the financial statements; and
- ii no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a Requotation of Palmco Holdings Berhad

On 10 October 2002, the Company acquired 23,738,316 ordinary shares of RM1.00 each in Palmco Holdings Berhad ("Palmco Shares") from Servitel Development Sdn Bhd, a subsidiary of Sime Darby Berhad ("Sime") for a cash consideration of RM109,196,253.60 or RM4.60 per share.

During the previous financial year, the Company proposed the Capital Distribution and placement arrangements of the Palmco Shares which might otherwise be received under the Capital Distribution by shareholders of the Company who were not deemed as public shareholders under the Kuala Lumpur Stock Exchange's Listing Requirements ("Placement Arrangements"). The Capital Distribution and Placement Arrangements were completed on 31 October 2002.

With the acquisition of Palmco Shares from Sime and the completion of Capital Distribution and Placement Arrangements, Palmco Shares were requoted on 8 November 2002.

b Acquisition of the Entire Business of Loders Croklaan

On 31 August 2002, the Company entered into an agreement to acquire a 100% interest in Loders Croklaan B.V. and the related businesses located in United States, Canada and Egypt (collectively called "Loders Croklaan") from Unilever Group for a total cash consideration of EUR217 million.

Loders Croklaan is one of the leading global suppliers of specialty oils and fats to the food sector. It has a long-standing tradition of quality and innovation and has pioneered products and applications in its core snack ingredients business. It is also in the development of the potentially high growth area of nutritional lipid and operates a small special product unit trading in both food and animal feed ingredients.

The acquisition was completed on 30 November 2002.

c Acquisition of Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd

On 2 December 2002, Palmco Holdings Berhad ("Palmco") announced its proposed acquisition of the entire issued and paid-up share capital of Unipamol Malaysia Sdn Bhd ("Unipamol") and 49.99% of the issued and paid-up share capital of Pamol Plantations Sdn Bhd ("PPSB") for a total cash consideration of RM567 million, subject to adjustments, from the wholly-owned subsidiaries of Unilever plc.

The Unipamol group of companies and the PPSB group of companies (collectively called "Pamol Group") are principally involved in oil palm plantation business with a total of 23,045 hectares of oil palm estates, of which 8,148 hectares and 14,897 hectares are located in Kluang, Johor and Labuk, Sabah respectively. In addition, the Pamol Group has two palm oil mills with annual processing capacity of 360,000 and 390,000 metric tonne in Johor and Sabah respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

c Acquisition of Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd cont'd

The acquisition was completed on 17 January 2003. The purchase consideration has been revised from RM567 million to RM555 million as mutually agreed between Palmco and the vendors.

The acquisition has been part financed by a term loan of RM350 million. The term loan is secured by a pledge over the shares in Unipamol and PPSB.

d Proposed Acquisition of Interest in Oil Palm Estates and Palm Oil Mill in Sabah

On 19 March 2003, the Company had entered into several conditional sale and purchase agreements with several vendors to acquire the entire equity interest in the following companies for a total consideration of RM607.7 million:

- i B. A. Plantations Sdn Bhd
- ii Mayvin (Sabah) Sdn Bhd
- iii Pine Capital Sdn Bhd
- iv Right Purpose Sdn Bhd
- v Mayvin Incorporated Sdn Bhd

The above companies are principally involved in oil palm plantation business with a total of 21,722 hectares of oil palm estates and a palm oil mill in Sabah. The oil palm estates are located adjacent or within the vicinity of oil palm estates of the Group.

The proposed acquisition has been approved by the Securities Commission ("SC") on 25 August 2003 with a revision in the purchase consideration from RM607.7 million to RM535.6 million to be satisfied by the issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share and RM160.7 million by cash. The approval of the Foreign Investment Committee ("FIC") has also been obtained vide the same SC's letter in accordance with the SC regulations, applicable to the proposed acquisition.

The Directors and/or major shareholders of the Company who are interested or deemed to be interested in the proposed acquisition are as follows:

- i Tan Sri Dato' Lee Shin Cheng
- ii Dato' Lee Yeow Chor
- iii Lee Cheng Leang
- iv Puan Sri Datin Hoong May Kuan
- v Progressive Holdings Sdn Bhd

The proposed acquisition is still pending approvals from the followings:

- i shareholders of the Company at an extraordinary general meeting to be convened in which interested shareholders and persons connected shall abstain from voting;
- ii Kuala Lumpur Stock Exchange for the listing of and quotation for the new shares to be issued.

The full details of the proposed acquisition and the approvals by the SC and the FIC have been announced by the Company on 20 March 2003 and 2 September 2003 respectively.

AUDIT COMMITTEE

The Directors who served as members of the Audit Committee since the date of the last report are as follows:

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor (*Chairman*)
Datuk Khalid b Hj Husin
Chan Fong Ann
Dato' Yeo How (MIA No. 4368)

NOMINATING COMMITTEE

The Directors who served as members of the Nominating Committee since the date of the last report are as follows:

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor (*Chairman*)
Chan Fong Ann
Datuk Khalid b Hj Husin

REMUNERATION COMMITTEE

The Directors who served as members of the Remuneration Committee since the date of the last report are as follows:

Tan Sri Dato' Lee Shin Cheng (*Chairman*)
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Chan Fong Ann

AUDITORS

The retiring auditors, Messrs. BDO Binder, have indicated their willingness to accept reappointment.

Signed in accordance with a resolution of the Directors.
On behalf of the Board

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Yeo How
Executive Director

Puchong, Selangor Darul Ehsan
2 September 2003

income statements for the financial year ended 30 June 2003

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
Revenue	4	3,907,871	2,410,500	375,354	247,076
Cost of sales		(2,587,765)	(1,654,251)	(79,190)	(71,531)
Gross profit		1,320,106	756,249	296,164	175,545
Other operating income	5	43,846	56,299	24,633	54,766
Marketing and selling expenses		(158,874)	(77,791)	(702)	(749)
Administration expenses		(123,525)	(74,076)	(12,036)	(10,348)
Other operating expenses		(254,919)	(105,386)	(80,599)	(15,287)
Operating profit	6	826,634	555,295	227,460	203,927
Interest income	7	16,976	11,924	41,395	38,863
Finance costs	8	(72,200)	(48,329)	(65,168)	(53,617)
Share of profits of associates		41,216	50,421	-	-
Profit before taxation		812,626	569,311	203,687	189,173
Taxation					
- Company and subsidiaries	9	(157,482)	(113,778)	(55,306)	(26,003)
- Share of taxation of associates		(3,611)	(1,759)	-	-
		(161,093)	(115,537)	(55,306)	(26,003)
Profit after taxation		651,533	453,774	148,381	163,170
Minority interests		(149,481)	(107,273)	-	-
Net profit attributable to shareholders		502,052	346,501	148,381	163,170
Earnings per share (sen)	10				
Basic		53.24	40.69		
Diluted		50.49	38.14		
Gross dividend per share (sen)	11				
First interim dividend		10.0	6.0	10.0	6.0
Second interim dividend		10.0	-	10.0	-
Final dividend		-	9.0	-	9.0
Total		20.0	15.0	20.0	15.0

balancesheets as at 30 June 2003

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
ASSETS EMPLOYED					
Property, plant and equipment	12	3,817,976	2,665,410	385,539	385,992
Subsidiaries	13	-	-	2,056,437	1,846,787
Associates	14	231,379	258,463	2,500	17,556
Investment properties	15	534,243	522,456	-	-
Other long term investments	16	31,363	18,191	10,851	10,872
Land held for development	17	650,029	660,074	-	-
Deferred tax assets	33	35,218	29,311	-	-
Goodwill on consolidation	18	415,565	179,628	-	-
Current assets					
Development properties	19	345,466	302,894	-	-
Inventories	20	458,077	123,382	3,954	4,678
Trade and other receivables	21	560,138	318,045	41,029	13,020
Amount due from subsidiaries	13	-	-	1,377,853	712,677
Amount due from associates	14	3,437	5,539	3,437	3,540
Tax recoverable		1,247	10,187	-	8,287
Short term investments	22	2,064	25,562	-	6,278
Short term funds	23	44,649	61,641	-	-
Deposits with financial institutions	24	218,659	216,632	41,382	1,137
Cash and bank balances	25	236,524	201,853	324	489
		1,870,261	1,265,735	1,467,979	750,106
Current liabilities					
Trade and other payables	26	530,965	381,595	11,683	19,670
Bank overdrafts	27	12,148	27,600	875	11,162
Short term borrowings	28	327,054	680,416	260,500	611,330
Amount due to subsidiaries	13	-	-	469,101	381,549
Amount due to an associate	14	2,739	2,739	2,739	2,739
Taxation		23,536	41,181	1,676	6,087
		896,442	1,133,531	746,574	1,032,537
Net current assets/(liabilities)		973,819	132,204	721,405	(282,431)
		6,689,592	4,465,737	3,176,732	1,978,776
FINANCED BY					
Share capital	29	540,400	447,988	540,400	447,988
Reserves	30	2,989,792	2,443,931	1,479,963	1,242,068
Shareholders' equity		3,530,192	2,891,919	2,020,363	1,690,056
Minority interests		1,195,425	928,336	-	-
Long term borrowings	31	1,553,991	411,968	1,150,649	282,500
Other long term liabilities	32	80,103	21,283	-	-
Deferred tax liabilities	33	329,881	212,231	5,720	6,220
		6,689,592	4,465,737	3,176,732	1,978,776

The notes on pages 137 to 226 form an integral part of the financial statements

statements of changes in equity for the financial year ended 30 June 2003

In RM'000

	Share Capital	Share Premium	Revaluation Surplus	Capital Reserve	Foreign Exchange Fluctuation Reserve	Reserve on Consoli- dation	Retained Profits	Treasury Shares	Total
GROUP									
As at 30.06.2001									
As previously reported	425,026	304,892	65,335	45,190	1,855	17,855	1,704,171	(26,204)	2,538,120
Prior year adjustments (Note 45)	-	-	-	(34,003)	-	(9,628)	485	-	(43,146)
As restated	425,026	304,892	65,335	11,187	1,855	8,227	1,704,656	(26,204)	2,494,974
Decrease in share of net assets of subsidiaries upon issuance of new shares	-	-	-	(1,758)	-	-	-	-	(1,758)
Transfer of revaluation surplus to retained profits upon disposal of investment properties	-	-	(47)	-	-	-	47	-	-
Transfer of revaluation surplus to retained profits upon disposal of a subsidiary	-	-	(749)	-	-	-	749	-	-
Reversal of deferred tax previously provided upon disposal of a subsidiary	-	-	-	-	-	-	39	-	39
Currency translation differences	-	-	-	-	2,063	-	-	-	2,063
Net (loss)/gain not recognised in the income statement	-	-	(796)	(1,758)	2,063	-	835	-	344
Net profit for the financial year	-	-	-	-	-	-	346,501	-	346,501
Amortisation of reserve on consolidation	-	-	-	-	-	(77)	-	-	(77)
Dividend paid in respect of previous financial year	-	-	-	-	-	-	(45,488)	-	(45,488)
First interim dividend paid	-	-	-	-	-	-	(37,340)	-	(37,340)
Issue of shares	22,962	120,114	-	-	-	-	-	-	143,076
Repurchase of shares	-	-	-	-	-	-	-	(10,071)	(10,071)
As at 30.06.2002	447,988	425,006	64,539	9,429	3,918	8,150	1,969,164	(36,275)	2,891,919

The notes on pages 137 to 226 form an integral part of the financial statements

In RM'000

	Share Capital	Share Premium	Revaluation Surplus	Capital Reserve	Foreign Exchange Fluctuation Reserve	Reserve on Consoli- dation	Retained Profits	Treasury Shares	Total
GROUP									
As at 30.06.2002									
As previously reported	447,988	425,006	64,539	43,432	3,918	16,529	1,973,138	(36,275)	2,938,275
Prior year adjustments (Note 45)	-	-	-	(34,003)	-	(8,379)	(3,974)	-	(46,356)
As restated	447,988	425,006	64,539	9,429	3,918	8,150	1,969,164	(36,275)	2,891,919
Decrease in share of net assets of subsidiaries upon issuance of new shares	-	-	-	(99)	-	-	-	-	(99)
Transfer of revaluation surplus to retained profits upon disposal of investment properties	-	-	(44)	-	-	-	44	-	-
Revaluation of investment properties	-	-	17,979	-	-	-	-	-	17,979
Currency translation differences	-	-	-	-	(42,213)	-	-	-	(42,213)
Net gain/(loss) not recognised in the income statement	-	-	17,935	(99)	(42,213)	-	44	-	(24,333)
Net profit for the financial year	-	-	-	-	-	-	502,052	-	502,052
Amortisation of reserve on consolidation	-	-	-	-	-	(778)	-	-	(778)
Dividend paid in respect of previous financial year	-	-	-	-	-	-	(59,906)	-	(59,906)
First interim dividend paid	-	-	-	-	-	-	(74,935)	-	(74,935)
Capital distribution (Note 41.1)	-	(171,697)	-	-	-	-	(21,560)	-	(193,257)
Issue of shares	92,412	511,402	-	-	-	-	-	-	603,814
Repurchase of shares	-	-	-	-	-	-	-	(114,384)	(114,384)
As at 30.06.2003	540,400	764,711	82,474	9,330	(38,295)	7,372	2,314,859	(150,659)	3,530,192

The notes on pages 137 to 226 form an integral part of the financial statements

statements of changes in equity for the financial year ended 30 June 2003 cont'd

In RM'000

	Share Capital	Share Premium	Retained Profits	Treasury Shares	Total
COMPANY					
As at 30.06.2001	425,026	304,892	772,995	(26,204)	1,476,709
Net profit for the financial year	-	-	163,170	-	163,170
Dividend paid in respect of previous financial year	-	-	(45,488)	-	(45,488)
First interim dividend paid	-	-	(37,340)	-	(37,340)
Issue of shares	22,962	120,114	-	-	143,076
Repurchase of shares	-	-	-	(10,071)	(10,071)
As at 30.06.2002	447,988	425,006	853,337	(36,275)	1,690,056
Net profit for the financial year	-	-	148,381	-	148,381
Dividend paid in respect of previous financial year	-	-	(59,906)	-	(59,906)
First interim dividend paid	-	-	(74,935)	-	(74,935)
Capital distribution (Note 41.1)	-	(171,697)	(966)	-	(172,663)
Issue of shares	92,412	511,402	-	-	603,814
Repurchase of shares	-	-	-	(114,384)	(114,384)
As at 30.06.2003	540,400	764,711	865,911	(150,659)	2,020,363

cashflowstatements for the financial year ended 30 June 2003

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
Cash Flows From Operating Activities					
Profit before taxation		812,626	569,311	203,687	189,173
Adjustments for:					
Depreciation of property, plant and equipment		123,678	77,236	5,007	4,747
Interest expenses		72,200	48,329	65,168	53,617
Unrealised foreign exchange loss		40,723	-	40,118	-
Amortisation of goodwill on consolidation		21,631	9,124	-	-
Revaluation deficit of an investment property		14,064	-	-	-
Provision for retirement benefits		11,620	798	-	-
Loss on disposal of an associate		4,137	-	4,056	-
Allowance for stock obsolescence		2,266	130	-	-
Property, plant and equipment written off		1,824	1,495	606	50
Provision for retrenchment benefits		1,526	-	-	-
Inventories written off		1,277	1,426	6	-
Allowance for doubtful debts		863	1,578	-	-
Loss on disposal of shares in a subsidiary		782	-	30	-
Gain on disposal of investment properties		(86)	(90)	-	-
Dividend income from other					
long term investments		(156)	(732)	(115)	(555)
Gain on disposal of an associate		(297)	-	-	-
Allowance for doubtful debts written back		(431)	(80)	-	-
Gain on disposal of property, plant					
and equipment		(672)	(2,458)	(296)	(345)
Amortisation of reserve on consolidation		(778)	(77)	-	-
Allowance for diminution in value of					
short term investments written back		(2,015)	-	-	-
Amortisation of discount on acquisition					
of associates		(2,485)	(2,515)	-	-
Gain on disposal of other long term investments		(7,002)	(5,999)	-	(1,616)
Gain on disposal of short term investments		(9,762)	(104)	(18,490)	(450)
Interest income		(16,976)	(11,924)	(41,395)	(38,863)
Share of profits of associates		(41,216)	(50,421)	-	-
Impairment loss on investment in an associate		-	13,000	-	-

The notes on pages 137 to 226 form an integral part of the financial statements

cashflowstatements for the financial year ended 30 June 2003 cont'd

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
Cash Flows From Operating Activities cont'd					
Allowance for diminution in value of other long term investments		-	1,700	-	1,700
Amortisation of goodwill on acquisition of associates		-	1,050	-	-
Dilution of interest in a subsidiary		-	221	-	-
Gain on disposal of a subsidiary		-	(23,334)	-	(50,221)
Impairment loss on investments in subsidiaries		-	-	-	1,421
Dividend income from subsidiaries		-	-	(179,511)	(113,144)
Operating profit before working capital changes		1,027,341	627,664	78,871	45,514
Decrease in development properties		27,571	96,669	-	-
(Increase)/decrease in inventories		(118,622)	8,838	718	(950)
Decrease/(increase) in trade receivables		20,175	(104,660)	(500)	268
(Increase)/decrease in other receivables, deposits and prepayments		(41,454)	19,857	1,682	7,254
(Increase)/decrease in amount due from customers on contracts		(624)	787	-	-
Increase/(decrease) in trade payables		59,604	(10,393)	(76)	206
(Decrease)/increase in other payables and accruals		(61,226)	35,532	(3,501)	3,963
(Decrease)/increase in amount due to customers on contracts		(194)	194	-	-
Cash generated from operations		912,571	674,488	77,194	56,255
Tax refund		2,787	12,505	2,787	12,495
Club membership deposits received		252	399	-	-
Retirement benefits paid		(3,047)	(47)	-	-
Tax paid		(135,254)	(134,094)	(10,232)	(2,000)
Net cash generated from operating activities		777,309	553,251	69,749	66,750

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
Cash Flows From Investing Activities					
Dividends received from associates		43,956	26,107	-	-
Proceeds from the disposal of short term investments		35,275	605	24,768	605
Interest received		17,984	12,064	6,166	1,370
Proceeds from the disposal of an associate		11,000	-	11,000	-
Proceeds from the disposal of other long term investments		8,975	25,553	21	8,693
Proceeds from the disposal of shares in a subsidiary		7,131	-	7,131	-
Proceeds from disposal of property, plant and equipment		4,854	5,249	401	744
Payments received from associates		2,177	-	103	-
Proceeds from the disposal of investment properties		584	613	-	-
Dividends received from other long term investments		112	669	85	504
Real Property Gain Tax paid on the disposal of an associate		(1,022)	-	-	-
Purchase of other long term investments		(1,510)	(3,854)	-	(228)
Additions to investment properties		(1,749)	(271)	-	-
Additional investment in associates		(3,600)	(108,694)	-	(59,891)
Deposit paid for the acquisition of subsidiaries		(30,387)	(1,060)	(30,387)	-
Additions to land held for development		(54,307)	(74,893)	-	-
Acquisition of additional interest in subsidiaries		(109,919)	(99,145)	(109,919)	(4,851)
Additions to property, plant and equipment		(197,690)	(295,758)	(5,265)	(11,464)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	34	(1,362,914)	(19,055)	(277,649)	(187,892)
Disposal of a subsidiary, net of cash and cash equivalents disposed	35	-	51,556	-	67,321
Payments made to associates		-	(192)	-	(192)
Additions to short term investments		-	(10,000)	-	-
Dividends received from subsidiaries		-	-	135,056	86,096
Payments made to subsidiaries		-	-	(465,665)	(71,727)
Net cash used in investing activities		(1,631,050)	(490,506)	(704,154)	(170,912)

The notes on pages 137 to 226 form an integral part of the financial statements

cashflowstatements for the financial year ended 30 June 2003 cont'd

In RM'000

	Note	Group		Company	
		2003	2002	2003	2002
Cash Flows From Financing Activities					
Proceeds from term loans		1,415,393	-	1,065,393	-
Proceeds from issuance of shares		603,814	143,076	603,814	143,076
Proceeds from shares issued to minority shareholders		280	8,784	-	-
Repurchase of shares by a subsidiary		(243)	(309)	-	-
Dividend paid to minority shareholders		(38,384)	(45,853)	-	-
Interest paid		(85,660)	(56,846)	(62,880)	(47,154)
Repurchase of shares		(114,384)	(10,071)	(114,384)	(10,071)
Dividend paid		(134,841)	(82,828)	(134,841)	(82,828)
Repayment of term loans		(352,062)	(120,988)	(308,330)	(107,453)
Repayment of short term borrowings		(405,014)	-	(364,000)	-
Proceeds from short term borrowings		-	148,319	-	205,000
Repayment of finance lease obligations		-	(4)	-	-
Net cash generated from/(used in) financing activities		888,899	(16,720)	684,772	100,570
Net increase/(decrease) in cash and cash equivalents		35,158	46,025	50,367	(3,592)
Cash and cash equivalents as previously reported		451,526	405,495	(10,536)	(6,944)
Effect of exchange rate changes		-	6	-	-
Cash and cash equivalents at beginning of financial year as restated		451,526	405,501	(10,536)	(6,944)
Cash and cash equivalents at end of financial year	36	486,684	451,526	39,831	(10,536)

notes to the financial statements

1 PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the cultivation of oil palm and rubber and processing of palm oil and rubber.

The principal activities of the subsidiaries and associates are set out in Note 44 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except for the acquisition of Loders Croklaan B. V. and the related businesses as disclosed in Note 34.1 to the financial statements.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

3 SIGNIFICANT ACCOUNTING POLICIES

During the current financial year, the Group and the Company adopted the following new Malaysian Accounting Standard Board ("MASB") Standards:

MASB 22, Segment Reporting, which has been adopted retrospectively. Comparative segmental information has been re-presented to conform with the requirements of this standard;

MASB 23, Impairment of Assets, which has been applied prospectively. The adoption of this standard has no material impact on the financial statements;

MASB 24, Financial Instruments: Disclosure and Presentation, which has been adopted prospectively;

MASB 25, Income Taxes, which has been adopted retrospectively. Comparatives have been adjusted to reflect the change in this accounting policy and the effects of the change in accounting policy are disclosed in Note 45; and

MASB 27, Borrowing Costs, which has been applied retrospectively. The adoption of this standard has no material impact on the financial statements as the previous accounting policy was in line with the new accounting standard.

Further information on changes in accounting policies and prior year adjustments are disclosed in Note 45 to the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified for the revaluation of investment properties), unless otherwise indicated in the significant accounting policies.

3.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year. All subsidiaries' financial statements are consolidated based on the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statement. The difference between the fair value of purchase consideration and the Group's share of the fair value of the separable net assets of the subsidiaries at the date of acquisition is retained in the consolidated balance sheet either as goodwill or reserve on consolidation, as appropriate. The Group amortises goodwill or reserve on consolidation over a period of not exceeding 20 years.

The total profits and losses of subsidiaries are included in the consolidated income statement, the proportion of the profit or loss applicable to minority shareholders is deducted in arriving at the profit attributable to the shareholders of the Company.

The total assets and liabilities of the subsidiaries are included in the consolidated balance sheet and the interests of minority shareholders in the net assets are stated separately. Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the latest financial statements of the associates concerned. Under the equity method of accounting, the Group's share of profits less losses of the associates is included in the consolidated income statement. The Group's interest in associates is stated at cost plus the Group's share of their post acquisition results and reserves less amortisation of goodwill or discount on acquisition, if any, in the consolidated balance sheet.

In line with the Group's policy on amortisation of goodwill or reserve on consolidation, the Group amortises goodwill or discount on acquisition of associates over a period of not exceeding 20 years.

All significant intragroup transactions, balances and unrealised gains or losses are eliminated on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.3 Subsidiaries and Associates

Subsidiaries are entities that are controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

Associates are those entities in which the Group has long term equity investment of between 20% and 50% and is in a position to exercise significant influence over the financial and operating policies of the investee entities.

Investments in subsidiaries (which are eliminated on consolidation) and associates are stated at cost less impairment losses, if any.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are charged or credited to the income statement.

3.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits associated with the transaction will flow to the entities and the amount of the revenue can be measured reliably.

Commodities, other products and services

Revenue is recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts and after eliminating inter-company transactions within the Group.

Development properties

Revenue from sale of development properties is recognised based on the "percentage of completion" method. The stage of completion is determined based on the proportion of contract costs incurred for work performed up to the balance sheet date over the estimated total contract costs. Foreseeable losses, if any, are recognised immediately in the income statement.

Construction contracts

Revenue from work done on construction contracts is recognised based on the "percentage of completion" method. The stage of completion is determined based on the proportion of contract costs incurred for work performed up to the balance sheet date over the estimated total contract costs. Foreseeable losses, if any, are recognised immediately in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.4 Revenue Recognition cont'd

Dividend income

Dividend income is recognised when shareholder's right to receive payment is established.

Rental income

Rental income from investment properties is recognised based on accrual basis.

Club membership licence fee

Club membership licence fees, which are not refundable, are recognised as income when received.

3.5 Foreign Currency

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange on that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Gains or losses on foreign exchange are taken up in the income statement with the exception of translation differences on foreign currency borrowings that provide a hedge against net investment in a foreign entity in which case the exchange differences are taken directly to foreign exchange fluctuation reserve until the disposal of the net investment, at which time they are recognised in the income statement.

For consolidation purpose, the assets and liabilities of overseas subsidiary are translated into Ringgit Malaysia at exchange rates closely approximating to those ruling at the balance sheet date. Income statement items are translated at average exchange rates for the financial year. All exchange differences arising from translation are included in the foreign exchange fluctuation reserve.

The closing rates of exchange used in translation are as follows:

RM1.00 : SGD0.46 (2002 - SGD0.46)
RM1.00 : USD0.26 (2002 - USD0.26)
RM1.00 : EUR0.23 (2002 - EUR0.26)
RM1.00 : YEN33.33 (2002 - YEN33.33)
RM1.00 : HKD2.04 (2002 - HKD2.04)
RM1.00 : CAD0.36 (2002 - Nil)
RM1.00 : EGP1.58 (2002 - Nil)

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.6 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Freehold land, freehold plantations, golf course and construction in progress are not depreciated.

Other property, plant and equipment are depreciated on the straight line method so as to write off the cost of the assets over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land and leasehold plantations	over the lease period (30 - 99 years)
Buildings and improvements	2% - 10%
Plant and machinery	4% - 20%
Motor vehicles	10% - 20%
Furniture, fittings and equipment	5% - 25%

Depreciation on assets under construction commences when the assets are ready for their intended use.

3.7 Leases

Finance lease

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the estimated present value of the minimum lease payments at the date of inception less accumulated depreciation and impairment losses. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.7 Leases cont'd

Operating lease

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3.8 New Planting and Replanting Expenditure

New planting expenditure, which represents total cost incurred from land clearing to the point of harvesting, is capitalised under plantation development expenditure. Replanting expenditure, which represents cost incurred in replanting old planted areas, is written off to the income statement in the financial year it is incurred.

3.9 Investment Properties

Investment properties are stated at cost upon completion of the construction or acquisition. These properties are held for their investment potential and rental income and are therefore not depreciated. These properties will be revalued at regular intervals of at least once in every 5 years with additional valuation in the intervening years where market conditions indicate that the carrying value of the revalued asset is materially different from the market value. Surpluses arising from such valuation will be credited to shareholders' equity as revaluation surplus and any deficit will be charged against such surplus to the extent that decrease offset any increase. In all other cases, the deficit will be charged to the income statement.

On disposal of investment properties, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement and the related amounts in revaluation surplus, if any, is transferred to retained profits.

3.10 Land Held For Development

Land held for development is stated at cost less impairment losses, if any and is reclassified as development property upon commencement of development work on the said land.

3.11 Borrowing Costs

Costs incurred on external borrowings to finance new planting expenditure and other long term qualifying assets are capitalised until the assets are ready for their intended use after which such expenses are charged to the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.12 Development Properties

The cost of land under development together with the related expenditure are carried forward at cost plus profit accrued to the properties sold at their relevant stage of completion less progress billings and foreseeable losses, if any. Development expenditure comprises construction and other related development costs including interest costs and administrative overheads relating to the project. Interest costs on borrowings used to finance the relevant projects are included as development expenditure from commencement to the completion of development.

The portion of property development projects which sales have been launched and/or the projects are expected to be completed within the normal operating cycle of two to three years are considered as current assets.

3.13 Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised over the period of the contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts.

Cost represents direct materials, expenses, labour and an appropriate proportion of construction overheads.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out or weighted average basis. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of produce and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads. Inventories of completed development properties comprise cost of land and the relevant development expenditure.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.15 Retirement Benefits

Certain subsidiaries of the Group operate defined benefit schemes. The schemes of the subsidiaries in Malaysia are operated on an unfunded basis whilst certain foreign subsidiaries are operating funded defined benefit schemes. The benefits payable on retirement are generally based on the length of service and last drawn salary of the eligible employees.

In respect of the unfunded schemes, full provisions are made based on a triennial actuarial valuation using the accrued benefit method. The last valuation was on 30 June 2003.

For the funded schemes, contributions to the scheme are charged to the income statement so as to spread the cost of the scheme over the employees' working lives. The contributions are determined based on annual actuarial valuation using the accrued benefit method. The last valuation was on 30 June 2003.

3.16 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for under the liability method in respect of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their related tax bases.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed tax losses and unutilised capital allowances can be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.16 Income Tax cont'd

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25, Income Taxes, deferred tax was provided for using the liability method in respect of material timing differences. Deferred tax assets were recognised only when there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects are dealt with as a prior year adjustment as stated in Note 45.

3.17 Research and Development Expenditure

All general research and development expenditure are charged to the income statements in the financial year in which the expenditure is incurred.

3.18 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investment and short term funds with maturity of less than three months which have an insignificant risk of changes in value.

3.19 Impairment of Assets

The carrying values of assets, other than inventories, deferred tax assets, assets arising from construction contracts, assets arising from employee benefits and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belongs.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on revalued asset in which case it is taken to equity.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i Other long term investments

Other long term investments are stated at cost less allowance for permanent diminution in value, if any. Permanent diminution in the value of an investment is recognised as an expense in the financial year in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii Short term investments

Short term investments are stated at the lower of cost and market value, calculated on a portfolio basis. Cost is determined on weighted average basis while market value is determined based on quoted market values. Increase or decrease in the carrying amount of short term investments is recognised in the income statement.

Investments in fixed income trust funds that do not meet the definition of cash and cash equivalent are classified as short term investments.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

iii Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

iv Liabilities

Borrowings, trade and other payables are stated at cost.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

v Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

vi Derivative financial instruments

The Group uses derivative financial instruments, including foreign exchange forward, interest rate swap and commodity future contracts, to hedge its exposure to foreign exchange, interest rate and commodity price fluctuation arising from operational, financing and investment activities. These instruments are not recognised in the financial statements on inception.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

Derivatives that are no longer designated as hedges are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

3.21 Provisions and Contingent Liabilities

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors are of the opinion that disclosure is appropriate.

notes to the financial statements cont'd

4 REVENUE

In RM'000

	Group		Company	
	2003	2002	2003	2002
Continuing operations				
Sales of plantation produce, refined palm oil and related products	1,731,775	1,235,495	195,728	133,377
Sales of development properties	494,712	532,476	-	-
Sales of oleochemicals and related products	897,723	515,471	-	-
Sales of specialty oils and fats and related products	665,143	-	-	-
Rental income from investment properties	49,651	46,350	-	-
Rendering of services	53,566	30,108	-	-
Construction contract	15,145	6,333	-	-
Dividend income	156	732	179,626	113,699
	3,907,871	2,366,965	375,354	247,076
Discontinued operations				
Sales of industrial gas and related products	-	43,535	-	-
	3,907,871	2,410,500	375,354	247,076

5 OTHER OPERATING INCOME

In RM'000

	Group		Company	
	2003	2002	2003	2002
Gain on disposal of short term investments	9,762	104	18,490	450
Gain on disposal of other long term investments	7,002	5,999	-	1,616
Gain on disposal of a subsidiary	-	23,334	-	50,221
Others	27,082	26,862	6,143	2,479
	43,846	56,299	24,633	54,766

6 OPERATING PROFIT

In RM'000

	Group		Company	
	2003	2002	2003	2002
a Operating profit has been arrived at after charging:				
Allowance for diminution in value of other long term investments	-	1,700	-	1,700
Allowance for doubtful debts	863	1,578	-	-
Allowance for stock obsolescence	2,266	130	-	-
Amortisation of goodwill on consolidation	21,631	9,124	-	-
Amortisation of goodwill on acquisition of associates	-	1,050	-	-
Auditors' remuneration				
- audit	1,315	580	70	59
- non audit	164	120	-	10
Depreciation of property, plant and equipment	123,678	77,236	5,007	4,747
Hire of plant and machinery	5,981	2,358	-	-
Impairment loss on investment in an associate	-	13,000	-	-
Impairment loss on investment in subsidiaries	-	-	-	1,421
Inventories written off	1,277	1,426	6	-
Lease rentals	195	90	-	-
Loss on disposal of an associate	4,137	-	4,056	-
Loss on disposal of shares in a subsidiary	782	-	30	-
Property, plant and equipment written off	1,824	1,495	606	50
Provision for retirement benefits	11,620	798	-	-
Provision for retrenchment benefits	1,526	-	-	-
Remuneration of directors of the Company				
- fees	484	365	266	231
- other emoluments	8,927	7,857	5,071	4,359
Rental of premises	937	703	-	-
Replanting expenditure	10,139	8,580	5,132	3,796
Research and development expenditure	11,225	5,317	6,034	5,317
Revaluation deficit of an investment property	14,064	-	-	-
Unrealised foreign exchange loss	40,723	-	40,118	-

notes to the financial statements cont'd

6 OPERATING PROFIT cont'd

In RM'000

	Group		Company	
	2003	2002	2003	2002
and crediting:				
Allowance for diminution in value of short term investments written back	2,015	-	-	-
Allowance for doubtful debts written back	431	80	-	-
Allowance for inventory obsolescence written back	-	1,261	-	-
Amortisation of reserve on consolidation	778	77	-	-
Amortisation of discount on acquisition of associates	2,485	2,515	-	-
Bad debt recovered	4	5,328	-	-
Gain on disposal of an associate	297	-	-	-
Gain on disposal of investment properties	86	90	-	-
Gain on disposal of property, plant and equipment	672	2,458	296	345
Gross dividend received from				
- other long term investments quoted in Malaysia	156	732	115	555
- subsidiaries quoted in Malaysia	-	-	87,610	86,650
- unquoted subsidiaries	-	-	91,901	26,494
Realised gain on foreign exchange	6,104	4,028	122	-
Rental income from plant and machinery	5,825	4,150	-	-
Rental income	50,788	45,828	61	-

Contract cost of the Group recognised as an expense during the financial year amounted to RM11,041,000 (2002 - RM6,822,000). Cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM926,384,000 (2002 - RM696,133,000) and RM17,092,000 (2002 - RM13,853,000) respectively.

The estimated monetary value of benefits-in-kind received by the Directors of the Company otherwise than in cash from the Group and the Company amounted to RM180,764 (2002 - RM161,000) and RM40,450 (2002 - RM40,900) respectively.

Operating profit derived from the discontinued operation amounted to nil (2002 - RM8,532,000).

b Employee information

Employee costs	312,937	162,784	41,286	37,079
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The total number of employees of the Group and of the Company (including Executive Directors) as at end of the financial year was 24,746 (2002 - 15,974) and 3,210 (2002 - 2,979) respectively.

7 INTEREST INCOME

In RM'000

	Group		Company	
	2003	2002	2003	2002
Short term deposits	12,010	7,620	4,971	1,196
Subsidiaries	-	-	36,424	37,667
Associates	255	-	-	-
Others	4,711	4,304	-	-
	16,976	11,924	41,395	38,863

8 FINANCE COSTS

In RM'000

	Group		Company	
	2003	2002	2003	2002
Interest expenses				
Bank overdrafts	1,214	968	24	96
Revolving credits	3,605	5,039	2,890	3,298
Short term loans	39,820	20,354	38,342	19,171
Subsidiaries	-	-	6,698	7,640
Term loans	30,698	31,109	17,214	23,412
Others	334	434	-	-
	75,671	57,904	65,168	53,617
Less: Interest capitalised	(3,471)	(9,575)	-	-
	72,200	48,329	65,168	53,617

9 TAXATION

In RM'000

	Group		Company	
	2003	2002	2003	2002
Current year				
Malaysian income taxation	143,561	115,987	58,600	32,000
Deferred taxation	24,143	(2,412)	(500)	393
	167,704	113,575	58,100	32,393
Prior years				
Malaysian income taxation	(9,757)	818	(2,794)	(6,390)
Deferred taxation	(465)	(615)	-	-
	(10,222)	203	(2,794)	(6,390)
	157,482	113,778	55,306	26,003

9 TAXATION cont'd

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

In %

	Group		Company	
	2003	2002	2003	2002
Average applicable tax rate	28.00	28.00	28.00	28.00
Tax effect in respect of:				
Non allowable expenses	3.80	1.68	9.15	1.82
Non taxable income	(0.74)	(2.69)	(2.96)	(7.75)
Revenue expenses capitalised	(0.19)	(0.19)	(0.05)	(0.10)
Tax exempt income	(1.86)	(1.61)	(4.92)	(3.82)
Tax incentives and allowances	(6.77)	(4.18)	(0.35)	(0.55)
Utilisation of previously unrecognised tax losses and capital allowances	(0.62)	(0.72)	-	-
Double deduction	(0.29)	(0.43)	(0.35)	(0.47)
Revaluation deficit	0.37	-	-	-
Deferred tax assets recognised	(0.57)	(0.33)	-	-
Different tax rate in foreign jurisdiction	(0.16)	(0.06)	-	-
Other items	0.11	0.79	-	-
Average effective tax rate	21.08	20.26	28.52	17.13
(Over)/under provision in prior years	(1.26)	0.03	(1.37)	(3.38)
	19.82	20.29	27.15	13.75

The amount of tax savings arising from the utilisation of unrecognised brought forward unabsorbed tax losses for the Group amounted to approximately RM2,893,000 (2002 - RM3,957,000).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unabsorbed tax losses of approximately RM358,121,000 (2002 - RM400,871,000), for which the related tax effects have not been recognised in the financial statements. These losses are available to be carried forward for set off against future chargeable income when these subsidiaries derive future assessable income of a nature and amount sufficient for the tax losses to be utilised.

10 EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share of the Group is calculated based on the net profit attributable to shareholders divided by the weighted average number of ordinary shares in issue during the financial year, after taking into consideration treasury shares held by the Company.

	Group	
	2003	2002
Net profit attributable to shareholders (RM'000)	502,052	346,501
Weighted average number of ordinary shares in issue ('000)	942,916	851,578
Basic earnings per share (sen)	53.24	40.69

Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares, namely Warrants 1995/2003 and share options granted under the Company's Executive Share Option Scheme ("ESOS").

The diluted earnings per share of the Group are calculated based on the net profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares.

In RM'000

	Group	
	2003	2002
Net profit attributable to shareholders	502,052	346,501

notes to the financial statements cont'd

10 EARNINGS PER SHARE cont'd

Diluted earnings per share cont'd

The adjusted weighted average number of ordinary shares for the computation of diluted earnings per share is arrived at as follows:

	Group	
	2003	2002
Weighted average number of ordinary shares in issue ('000)	942,916	851,578
Assumed exercise of Warrants 1995/2003 at beginning of financial year ('000)	48,221	48,764
Assumed exercise of ESOS at beginning of financial year ('000)	3,239	8,066
Weighted average number of ordinary shares for diluted earnings per share ('000)	994,376	908,408
Diluted earnings per share (sen)	50.49	38.14

11 DIVIDENDS

In RM'000

	Group and Company	
	2003	2002
First interim dividend declared and paid of 10.0 sen (2002 - 6.0 sen) per share less income tax	74,935	37,340
Second interim dividend declared of 10.0 sen per share tax exempt (2002 - nil)	104,418	-
Final dividend proposed of nil (2002 - 9.0 sen) per share less income tax	-	57,167
Additional final and interim dividends paid in respect of previous financial year	2,739	170
	182,092	94,677

The second interim tax exempt dividend of 10.0 sen per share which was declared by the Board of Directors subsequent to the financial year end has not been accrued as a liability at 30 June 2003.

12 PROPERTY, PLANT AND EQUIPMENT

Group
2003

In RM'000

At Cost	At Beginning of Financial Year	Additions	Acquisition of Subsidiaries	Disposals	Foreign Exchange Differences	Write-offs	Reclassi- fication	At End of Financial Year
Freehold plantations	402,057	4,426	-	(15)	-	(568)	5,232	411,132
Long term leasehold plantations	1,181,007	46,126	437,294	-	-	-	(5,232)	1,659,195
Freehold land	46,133	-	180,904	-	462	-	100	227,599
Long term leasehold land	11,841	-	-	-	-	-	(1,115)	10,726
Short term leasehold land	27,139	-	-	-	-	-	1,115	28,254
Golf course	43,894	130	-	-	-	(138)	-	43,886
Buildings and improvements	421,052	16,708	221,575	(260)	12,252	(599)	144,908	815,636
Plant and machinery	743,859	65,012	516,659	(6,167)	51,329	(2,241)	6,864	1,375,315
Motor vehicles	38,650	4,502	17,507	(1,884)	(74)	(391)	-	58,310
Furniture, fittings and equipment	80,728	8,689	7,793	(2,056)	37	(1,635)	12,946	106,502
Construction in progress	233,990	54,337	32,765	-	1,082	(91)	(164,818)	157,265
	3,230,350	199,930	1,414,497	(10,382)	65,088	(5,663)	-	4,893,820

notes to the financial statements cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group

2003

In RM'000

Accumulated Depreciation	At Beginning of Financial Year	Prior Year Adjust-ments	Current Year De-preciation Charge	Acquisition of Subsidiaries	Disposals	Foreign Exchange Differences	Write-offs	Reclassi-fication	At End of Financial Year
Long term leasehold plantations	26,582	6,373	4,559	61,887	-	-	-	-	99,401
Long term leasehold land	3,988	-	116	-	-	-	-	(223)	3,881
Short term leasehold land	3,703	-	640	-	-	-	-	223	4,566
Buildings and improvements	122,280	-	20,757	46,619	(50)	4,193	(475)	174	193,498
Plant and machinery	329,585	-	82,006	239,606	(4,218)	31,105	(1,821)	(202)	676,061
Motor vehicles	27,066	-	5,683	10,557	(1,530)	(28)	(349)	-	41,399
Furniture, fittings and equipment	45,363	-	9,917	3,315	(402)	11	(1,194)	28	57,038
	558,567	6,373	123,678	361,984	(6,200)	35,281	(3,839)	-	1,075,844

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group

2002

In RM'000

At Cost Unless Otherwise Stated	At Beginning of Financial Year	Additions	Acquisition of Subsidiary	Disposals	Disposal of Subsidiary	Write-offs	Reclassi- fication/ Transfers*	At End of Financial Year
Freehold plantations	396,005	6,068	-	(16)	-	-	-	402,057
Long term leasehold plantations	1,015,387	27,163	139,046	-	-	(600)	11	1,181,007
Freehold land	22,503	-	29,788	(361)	(5,797)	-	-	46,133
Long term leasehold land								
- At valuation	5,101	-	-	-	(5,101)	-	-	-
- At cost	7,087	-	11,841	-	(3,685)	-	(3,402)	11,841
Short term leasehold land	1,225	-	23,475	-	(963)	-	3,402	27,139
Golf course	43,689	205	-	-	-	-	-	43,894
Buildings and improvements								
- At valuation	3,065	-	-	-	(3,065)	-	-	-
- At cost	302,796	17,528	89,347	(2,555)	(14,821)	(1,662)	30,419	421,052
Plant and machinery	388,714	110,901	354,400	(1,361)	(147,602)	(1,239)	40,046	743,859
Motor vehicles	36,025	5,419	8,839	(2,703)	(8,533)	(397)	-	38,650
Furniture, fittings and equipment	56,555	13,628	12,745	(407)	(3,125)	(808)	2,140	80,728
Construction in progress	180,285	122,746	28,089	-	-	(4)	(97,126)	233,990
	2,458,437	303,658	697,570	(7,403)	(192,692)	(4,710)	(24,510)	3,230,350

notes to the financial statements cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group

2002

In RM'000

Accumulated Depreciation	At Beginning of Financial Year	Prior Year Adjust-ments	Current Year De-preciation Charge	Acquisition of Subsidiary	Disposals	Disposal of Subsidiary	Write-offs	Reclassi-fication	At End of Financial Year
Long term leasehold plantations	21,420	6,814	3,624	1,097	-	-	-	-	32,955
Long term leasehold land									
- At valuation	1,112	-	40	-	-	(1,152)	-	-	-
- At cost	713	-	141	3,885	-	(293)	-	(458)	3,988
Short term leasehold land	388	-	511	2,687	-	(341)	-	458	3,703
Buildings and improvements									
- At valuation	2,850	-	84	-	-	(2,934)	-	-	-
- At cost	85,089	-	13,892	31,676	(1,292)	(5,852)	(1,233)	-	122,280
Plant and machinery	164,191	-	48,489	178,798	(940)	(59,884)	(1,069)	-	329,585
Motor vehicles	25,672	-	4,820	6,485	(2,232)	(7,282)	(397)	-	27,066
Furniture, fittings and equipment	33,627	-	5,635	9,232	(148)	(2,467)	(516)	-	45,363
	335,062	6,814	77,236	233,860	(4,612)	(80,205)	(3,215)	-	564,940

* Construction in progress completed during the previous financial year amounted RM24,510,000 have been transferred to investment properties.

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company

2003

In RM'000

At Cost	At Beginning of Financial Year	Additions	Disposals	Write- offs	Reclassi- fication	At End of Financial Year
Freehold plantations	295,059	2,492	(33)	(550)	-	296,968
Long term leasehold plantations	53,742	-	-	-	-	53,742
Freehold land	2,115	-	-	-	-	2,115
Buildings and improvements	24,636	476	-	(3)	375	25,484
Plant and machinery	28,948	1,234	(121)	(125)	92	30,028
Motor vehicles	5,009	406	(161)	(8)	-	5,246
Furniture, fittings and equipment	9,439	552	(13)	(99)	38	9,917
Construction in progress	1,335	105	-	-	(505)	935
	420,283	5,265	(328)	(785)	-	424,435

In RM'000

Accumulated Depreciation	At Beginning of Financial Year	Current Year Depreciation Charge	Disposals	Write-offs	At End of Financial Year
Long term leasehold plantations	1,139	105	-	-	1,244
Buildings and improvements	6,702	1,113	-	(2)	7,813
Plant and machinery	17,279	2,461	(80)	(82)	19,578
Motor vehicles	3,635	463	(134)	(8)	3,956
Furniture, fittings and equipment	5,536	865	(9)	(87)	6,305
	34,291	5,007	(223)	(179)	38,896

notes to the financial statements cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company

2002

In RM'000

At Cost	At Beginning of Financial Year	Additions	Disposals	Write-offs	Reclassification	At End of Financial Year
Freehold plantations	291,467	3,608	(16)	-	-	295,059
Long term leasehold plantations	53,740	2	-	-	-	53,742
Freehold land	2,115	-	-	-	-	2,115
Buildings and improvements	20,828	3,616	-	(61)	253	24,636
Plant and machinery	28,452	842	(263)	(83)	-	28,948
Motor vehicles	4,834	1,345	(1,170)	-	-	5,009
Furniture, fittings and equipment	8,641	901	(31)	(72)	-	9,439
Construction in progress	438	1,150	-	-	(253)	1,335
	410,515	11,464	(1,480)	(216)	-	420,283

In RM'000

Accumulated Depreciation	At Beginning of Financial Year	Current Year Depreciation Charge	Disposals	Write-offs	At End of Financial Year
Long term leasehold plantations	1,034	105	-	-	1,139
Buildings and improvements	5,714	1,007	-	(19)	6,702
Plant and machinery	15,131	2,381	(151)	(82)	17,279
Motor vehicles	4,152	394	(911)	-	3,635
Furniture, fittings and equipment	4,760	860	(19)	(65)	5,536
	30,791	4,747	(1,081)	(166)	34,291

12 PROPERTY, PLANT AND EQUIPMENT cont'd

In RM'000

Net Book Value	Group		Company	
	2003	2002	2003	2002
Freehold plantations	411,132	402,057	296,968	295,059
Long term leasehold plantations	1,559,794	1,148,052	52,498	52,603
Freehold land	227,599	46,133	2,115	2,115
Long term leasehold land	6,845	7,853	-	-
Short term leasehold land	23,688	23,436	-	-
Golf course	43,886	43,894	-	-
Buildings and improvements	622,138	298,772	17,671	17,934
Plant and machinery	699,254	414,274	10,450	11,669
Motor vehicles	16,911	11,584	1,290	1,374
Furniture, fittings and equipment	49,464	35,365	3,612	3,903
Construction in progress	157,265	233,990	935	1,335
	3,817,976	2,665,410	385,539	385,992

Included in long term leasehold plantations and construction in progress is an amount of interest expense capitalised during the financial year amounted to RM2,240,000 (2002 - RM7,900,000) for the Group.

Freehold and leasehold landed properties of the Group and of the Company at net book value of RM86,531,000 (2002 - RM579,947,000) and RM64,591,000 (2002 - RM196,447,000) respectively have been charged to banks for credit facilities granted to the Group and the Company.

13 SUBSIDIARIES

In RM'000

	Company	
	2003	2002
At cost		
Shares quoted in Malaysia	936,038	1,005,941
Unquoted shares in Malaysia	846,570	846,570
Unquoted shares outside Malaysia	279,553	-
	2,062,161	1,852,511
Less: impairment losses	(5,724)	(5,724)
	2,056,437	1,846,787
At market value		
Shares quoted in Malaysia	1,898,171	1,834,768

Details of the subsidiaries are set out in Note 44.

notes to the financial statements cont'd

13 SUBSIDIARIES cont'd

During the financial year under review, the Company acquired a 100% interest in Loders Croklaan B. V. and related assets from Unilever Group for a total cash consideration of EUR217.0 million (Note 34.1).

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, advances and payments made on behalf of or by subsidiaries. These amounts are unsecured, bear interest at rates ranging from 0% to 5.5% (2002 - 0% to 7.0%) per annum and have no fixed terms of repayment.

14 ASSOCIATES

In RM'000

	Group		Company	
	2003	2002	2003	2002
At cost				
Unquoted shares	100,987	118,629	2,500	17,556
Share of post acquisition results and reserves of associates	120,630	146,771	-	-
Goodwill on acquisition amortised	-	(2,572)	-	-
Discount on acquisition amortised	9,762	8,635	-	-
	130,392	152,834	-	-
Less: impairment losses	-	(13,000)	-	-
Interest in associates (Note 14.1)	231,379	258,463	2,500	17,556

Details of the associates are set out in Note 44.

During the financial year under review, the Company completed the disposal of its 3,000,000 ordinary shares of RM1.00 each in Kanzen Tetsu Sdn Bhd ("KTSB"), representing 30% interest of the issued and paid-up share capital of KTSB, to FACB Industries Incorporated Berhad for a cash consideration of RM11.0 million. Total loss from the said disposal is RM4.1 million and RM4.0 million for the Group and Company respectively.

During the financial year under review, Sakilan Desa Sdn Bhd ("SDSB"), a subsidiary of the Company, disposed of its 3,000,000 ordinary shares of RM1.00 each in Minat Teguh Sdn Bhd ("MTSB"), representing 30% interest of the issued and paid-up share capital of MTSB to IJM Plantations Sdn Bhd, a wholly-owned subsidiary of IJM Plantations Berhad for a consideration of RM13.0 million. The consideration was satisfied with the issue of 13,684,211 ordinary shares of RM1.00 each in IJM Plantations Berhad to SDSB at RM0.95 per share. Total gain from the said disposal is RM297,000 for the Group.

Amounts due from and to associates represent outstanding amounts arising from agency income, purchases and payments made on behalf of or by associates which are unsecured, interest-free and have no fixed terms of repayment.

14 ASSOCIATES cont'd

14.1 Interest in associates

In RM'000

	Group	
	2003	2002
Share of net tangible assets	265,763	297,923
Goodwill on acquisition of associates (Note 14.2)	-	2,703
Discount on acquisition of associates (Note 14.3)	(34,384)	(42,163)
	231,379	258,463

14.2 Goodwill on acquisition of associates

In RM'000

	Group	
	2003	2002
The movement in goodwill on acquisition of associates during the financial year is as follows:		
Balance at beginning of financial year	2,703	56,551
Additions during the financial year	-	8,260
Transfer to goodwill on consolidation upon consolidation of Palmco Holdings Berhad as a subsidiary (Note 18)	-	(61,058)
Amortisation for the financial year	-	(1,050)
Disposal during the financial year	(2,703)	-
Balance at end of financial year	-	2,703

14.3 Discount on acquisition of associates

In RM'000

	Group	
	2003	2002
The movement in discount on acquisition of associates during the financial year is as follows:		
Balance at beginning of financial year	(42,163)	(42,808)
Arising during the financial year	-	(1,870)
Amortisation for the financial year	2,485	2,515
Disposal during the financial year	5,294	-
Balance at end of financial year	(34,384)	(42,163)

notes to the financial statements cont'd

15 INVESTMENT PROPERTIES

In RM'000

	Group	
	2003	2002
At cost		
Freehold land and buildings	-	27,182
Leasehold land and buildings	1,999	1,999
	1,999	29,181
At valuation		
Freehold land and buildings	378,664	290,893
Leasehold land and buildings	153,580	202,382
	532,244	493,275
	534,243	522,456

Investment properties comprise:

Name of building/location	Description	Tenure of land	Net lettable area
Amoda Building 22, Jalan Imbi Kuala Lumpur	21 storey office with a 5 storey annexe	Freehold	16,825 sq m
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	3 storey shopping mall	Freehold	57,907 sq m
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	55 units of commercial lot	Freehold	8,146 sq m
Mayang Plaza Jalan SS 26/2 Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	4 storey commercial complex	Freehold	12,575 sq m
IOI Resort Putrajaya	30 units of residential bungalow	Freehold	20,310 sq m
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	3 storey shopping mall	Freehold	22,880 sq m
IOI Plaza 210 Middle Road Singapore	12 storey office building	Leasehold	8,740 sq m
Flat 28 Marathon House 200 Marylebone Road London NW1 5 PW	Residential apartment	Leasehold	Net built up area: 80 sq m

15 INVESTMENT PROPERTIES cont'd

Leasehold land and buildings stated at cost amounted to RM1,999,000 (2002 - RM1,999,000) represent an investment property acquired in 1999 and has not been revalued subsequently as the amount is insignificant.

On 30 June 2003, certain investment properties of the Group have been revalued by the Directors based on a valuation carried out by independent professional valuers using the market value basis. The attributable net surplus (after accounting for minority interest and deferred taxation) of RM17,979,000 arising from the revaluation exercise has been credited to revaluation surplus in the shareholders' equity and a revaluation deficit of RM9,222,000 (net of minority interest) was charged to the income statement.

Certain investment properties with carrying amount of RM231,627,000 (2002 - RM280,429,000) have been pledged to banks for credit facilities granted to subsidiaries.

16 OTHER LONG TERM INVESTMENTS

In RM'000

	Group		Company	
	2003	2002	2003	2002
At cost				
In Malaysia				
- Quoted shares	36,216	23,675	14,085	14,103
- Unquoted shares	1,783	1,149	860	860
- Quoted Warrants	2,185	2,188	2,185	2,188
Outside Malaysia				
- Quoted shares	5	5	5	5
	40,189	27,017	17,135	17,156
Less: allowance for diminution in value	(8,826)	(8,826)	(6,284)	(6,284)
	31,363	18,191	10,851	10,872
At market value				
- Shares quoted in Malaysia	38,477	30,460	7,089	8,295
- Warrants quoted in Malaysia	381	893	381	893

17 LAND HELD FOR DEVELOPMENT

In RM'000

	Group	
	2003	2002
At cost		
Freehold land	385,359	401,574
Long term leasehold land	274	274
	385,633	401,848
Development expenditure	264,396	258,226
	650,029	660,074

Included in development expenditure is interest expense incurred during the financial year amounting to RM797,000 (2002 - RM1,028,000).

18 GOODWILL ON CONSOLIDATION

In RM'000

	Group	
	2003	2002
At beginning of financial year		
As previously reported	163,629	78,689
Prior years adjustments	15,999	16,382
As restated	179,628	95,071
Arising from acquisition of subsidiaries (Note 34)	276,141	33,704
Arising from acquisition of additional shares in subsidiaries	1,516	894
Arising from purchase of own shares by a subsidiary	40	59
Distribution of shares in a subsidiary	(19,435)	-
Disposal of shares in a subsidiary	(694)	-
Transfer from goodwill on acquisition of associate (Note 14.2)	-	61,058
Disposal of a subsidiary	-	(2,034)
	437,196	188,752
Amortisation for the financial year	(21,631)	(9,124)
At end of financial year	415,565	179,628

19 DEVELOPMENT PROPERTIES

In RM'000

	Group	
	2003	2002
At cost		
Freehold land	134,444	116,569
Development expenditure	1,590,061	1,357,149
	1,724,505	1,473,718
Profit recognised todate on sold properties under development less foreseeable losses accrued todate	1,124,858	898,999
Progress billings	(2,503,897)	(2,069,823)
	345,466	302,894

Included in development expenditure is interest expense incurred during the financial year amounting to RM434,000 (2002 - RM647,000).

20 INVENTORIES

In RM'000

	Group		Company	
	2003	2002	2003	2002
At cost				
Plantation produce	77,542	48,295	1,492	2,164
Raw materials and consumables	268,197	29,344	1,565	1,562
Completed development properties	22,481	17,629	-	-
Nursery inventories	4,187	7,054	897	952
Trading inventories	96	120	-	-
Finished goods	71,189	13,684	-	-
Others	8,329	3,109	-	-
	452,021	119,235	3,954	4,678
At net realisable value				
Raw materials and consumables	268	-	-	-
Completed development properties	1,455	1,455	-	-
Finished goods	4,333	2,692	-	-
	458,077	123,382	3,954	4,678

notes to the financial statements cont'd

21 TRADE AND OTHER RECEIVABLES

In RM'000

	Group		Company	
	2003	2002	2003	2002
Trade receivables (Note 21.1)	398,548	238,431	904	404
Other receivables, deposits and prepayments (Note 21.2)	160,966	79,614	40,125	12,616
Amount due from customers on contracts (Note 21.3)	624	-	-	-
	560,138	318,045	41,029	13,020

21.1 Trade receivables

In RM'000

	Group		Company	
	2003	2002	2003	2002
Trade receivables	407,810	242,746	904	404
Allowance for doubtful debts	(9,262)	(4,315)	-	-
	398,548	238,431	904	404

Bad debts written off during the financial year against allowances created in the previous financial years are as follows:

In RM'000

	Group	
	2003	2002
Bad debts written off	764	371

Allowance for doubtful debts on trade receivables relating to subsidiary consolidated and disposed during the financial year amounted to RM5,277,000 (2002 - RM60,000) and nil (2002 - RM2,680,000) respectively.

21 TRADE AND OTHER RECEIVABLES cont'd

21.2 Other receivables, deposits and prepayments

In RM'000

	Group		Company	
	2003	2002	2003	2002
Prepaid lease rental (Note 21.2.1)	39,340	21,854	-	-
Deposit paid for the acquisition of subsidiaries (Note 21.2.2)	30,387	-	30,387	-
Other receivables	72,427	35,636	3,435	6,690
Other deposits	7,691	10,890	149	180
Prepayments	11,289	11,369	6,154	5,746
Allowance for doubtful debts on other receivables	(168)	(135)	-	-
	160,966	79,614	40,125	12,616

Allowance for doubtful debts on other receivables relating to subsidiary consolidated during the financial year amounted to RM33,000 (2002 - RM38,000).

21.2.1 Prepaid lease rental

This represents the advance lease rental paid for two pieces of land as follows:

- a Advance lease rental amounted to RM21,405,000 for a piece of land for a lease period of 50 years with a renewal term of 16 years which covers a net area of 9,605 acres for cultivation of oil palm. The prepaid lease rental is amortised to the income statements over the lease period of 50 years.

The remaining lease rental which ranges from RM1,000,000 to RM1,600,000 per annum will be payable commencing from year 2006 to year 2066.

- b Advance lease rental amounted to RM17,935,000 for a piece of land for a lease period of 60 years which covers a net area of 7,932 acres for cultivation of oil palm. The prepaid lease rental is amortised to the income statements over the lease period of 60 years.

The remaining lease rental which ranges from RM200,000 to RM1,000,000 per annum will be payable commencing from year 2004 to year 2056.

21.2.2 Deposit paid for the acquisition of subsidiaries

This represents the deposit paid by the Company for the acquisition of the interest in 21,722 hectares of oil palm estates and a palm oil mill in Sabah.

notes to the financial statements cont'd

21 TRADE AND OTHER RECEIVABLES cont'd

21.3 Amount due from customers on contracts

In RM'000

	Group	
	2003	2002
Aggregate cost incurred to date	93,090	-
Recognised profit	3,668	-
	96,758	-
Progress billings	(96,134)	-
Amount due from customers on contracts	624	-

22 SHORT TERM INVESTMENTS

In RM'000

	Group		Company	
	2003	2002	2003	2002
At cost				
In Malaysia				
- Quoted shares	452	15,965	-	6,278
- Unit trusts	-	10,000	-	-
Outside Malaysia				
- Quoted shares	16,189	16,189	-	-
- Unquoted shares	5	5	-	-
	16,646	42,159	-	6,278
Less: allowance for diminution in value	(14,582)	(16,597)	-	-
	2,064	25,562	-	6,278
At market value				
In Malaysia				
- Quoted shares	56	23,863	-	23,808
- Unit trusts	-	10,054	-	-
Outside Malaysia				
- Quoted shares	3,545	3,823	-	-
- Quoted warrants *	324	207	-	-

* Bonus issue, no cost incurred

23 SHORT TERM FUNDS

In RM'000

	Group	
	2003	2002
Investment in fixed income trust funds in Malaysia	44,649	61,641

24 DEPOSITS WITH FINANCIAL INSTITUTIONS

In RM'000

	Group		Company	
	2003	2002	2003	2002
Deposits with licensed banks	171,402	188,121	1,182	1,137
Deposits with discount houses	47,257	28,511	40,200	-
	218,659	216,632	41,382	1,137

Included in the deposits with licensed banks of the Group and of the Company is fixed deposit of RM1,000,000 (2002 - RM1,000,000) pledged as security for a fixed loan facility granted to the Company.

25 CASH AND BANK BALANCES

Included in the Group's cash and bank balances is an amount of RM150,702,000 (2002 - RM152,364,000) held under Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which is not available for general use by the Group.

26 TRADE AND OTHER PAYABLES

In RM'000

	Group		Company	
	2003	2002	2003	2002
Trade payables (Note 26.1)	216,983	105,877	1,258	1,334
Other payables and accruals (Note 26.2)	313,982	275,524	10,425	18,336
Amount due to customers on contracts (Note 26.3)	-	194	-	-
	530,965	381,595	11,683	19,670

notes to the financial statements cont'd

26 TRADE AND OTHER PAYABLES cont'd

26.1 Trade payables

In RM'000

	Group		Company	
	2003	2002	2003	2002
Trade payables	216,983	105,877	1,258	1,334

Included in trade payables of the Group are retention monies of RM34,600,000 (2002 - RM33,333,000).

26.2 Other payables and accruals

In RM'000

	Group		Company	
	2003	2002	2003	2002
Land premium payable	33,449	33,449	-	-
Advances from minority shareholders of subsidiaries to the subsidiaries	17,820	20,475	-	-
Other payables	156,335	120,473	5,056	8,877
Customer and other deposits	19,689	24,876	325	411
Accruals	86,689	76,251	5,044	9,048
	313,982	275,524	10,425	18,336

26.3 Amount due to customers on contracts

In RM'000

	Group	
	2003	2002
Aggregate cost incurred to date	-	5,723
Recognised profit	-	610
	-	6,333
Progress billings	-	(6,527)
Amount due to customers on contracts	-	(194)

27 BANK OVERDRAFTS

In RM'000

	Group		Company	
	2003	2002	2003	2002
Secured	5,919	22,067	-	2,007
Unsecured	6,229	5,533	875	9,155
	12,148	27,600	875	11,162

The secured bank overdrafts are secured by way of fixed charges over certain freehold and leasehold landed properties of the Group and of the Company. Additionally, certain bank overdrafts of the subsidiaries are secured by fixed and floating charges over their other assets. The bank overdrafts bear interest at rates ranging from 3.75% to 8.15% (2002 - 4.00% to 8.15%) per annum.

28 SHORT TERM BORROWINGS

In RM'000

	Group		Company	
	2003	2002	2003	2002
Secured				
Term loans - portion due within 12 months (Note 31)	62,700	79,889	17,500	67,330
Revolving credits	19,468	37,443	-	-
Trade financing	-	19,084	-	-
	82,168	136,416	17,500	67,330
Unsecured				
Term loans - portion due within 12 months (Note 31)	73,000	10,000	73,000	10,000
Short term loans	140,000	534,000	140,000	534,000
Revolving credits	30,000	-	30,000	-
Trade financing	1,886	-	-	-
	244,886	544,000	243,000	544,000
	327,054	680,416	260,500	611,330

28 SHORT TERM BORROWINGS cont'd

28.1 Revolving credits

The secured revolving credits are secured by way of fixed charges over certain leasehold landed properties of the Group and of the Company. The revolving credits bear interest at rates ranging from 1.82% to 5.20% (2002 - 1.95% to 5.05%) per annum.

28.2 Trade financing

The secured trade financing is secured by way of fixed charges over certain leasehold landed properties of the Group. Trade financing utilised during the financial year subject to interest at rates ranging from 2.10% to 3.45% (2002 - 2.60% to 3.50%) per annum.

28.3 Short term loans

The Company has entered into a RM300 million Islamic Notes Issuance Facility on 21 May 2002. The RM300 million Islamic Notes Issuance Facility comprises the issuance of Commercial Papers ("CPs") with maturity of one (1) to twelve (12) months and/or Medium Term Notes ("MTNs") with maturity of one (1) to seven (7) years based on the Syariah Principle of Al-Murabahah.

The CPs issued by the Company during the financial year bear yield to maturity ranging from 2.84% to 2.96% (2002 - 2.78% to 3.60%) per annum. The Company has not issued any MTNs during the financial year.

Total CPs issued as at 30 June 2003 amounted to RM140,000,000 (2002 - RM280,000,000) is included in the unsecured short term loans.

The other short term loans of the Group and of the Company bear interest rates ranging from 4.05% to 5.75% (2002 - 4.05% to 5.75%) per annum.

29 SHARE CAPITAL

	Group and Company			
	2003		2002	
	No. of Shares	RM'000	No. of Shares	RM'000
Ordinary shares of RM0.50 each				
Authorised	1,500,000,000	750,000	1,500,000,000	750,000
Issued and fully paid-up				
At beginning of financial year	895,975,613	447,988	850,051,613	425,026
Issue of shares arising from exercise of options granted under the Executive Share Option Scheme				
At RM2.13 per share	364,000	182	-	-
At RM2.20 per share	689,000	345	4,221,000	2,111
At RM2.37 per share	221,000	110	-	-
At RM2.42 per share	17,000	9	-	-
At RM2.45 per share	326,000	163	4,043,000	2,022
At RM2.50 per share	-	-	341,000	171
At RM2.61 per share	149,000	74	-	-
At RM2.70 per share	490,000	245	2,208,000	1,104
At RM2.71 per share	403,000	202	-	-
At RM2.80 per share	785,000	392	3,730,000	1,865
At RM3.38 per share	110,000	55	-	-
At RM3.58 per share	822,000	411	-	-
At RM3.70 per share	1,654,000	827	3,309,000	1,654
At RM3.77 per share	397,000	198	-	-
At RM3.90 per share	470,000	235	621,000	310
Issue of shares arising from exercise of Warrants 1995/2003				
At RM3.25 per share	136,654,279	68,327	-	-
At RM3.35 per share	41,273,793	20,637	27,451,000	13,725
At end of financial year	1,080,800,685	540,400	895,975,613	447,988

Of the total 1,080,800,685 (2002 - 895,975,613) issued and fully paid-up ordinary shares, 36,624,000 (2002 - 13,761,000) are held as treasury shares (Note 30.2) by the Company. Accordingly, the number of outstanding shares in issue and fully paid-up as at 30 June 2003 is 1,044,176,685 (2002 - 882,214,613) ordinary shares of RM0.50 each.

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme

An Executive Share Option Scheme ("ESOS") was implemented on 5 April 1995 for the benefit of the executives and full time executive directors of the Group. The original option period of 5 years which expired on 4 April 2000 has been extended for another 5 years, to expire on 4 April 2005. The committee appointed by the Board of Directors to administer the ESOS ("Option Committee"), may from time to time offer options to eligible executives of the Group to subscribe for new ordinary shares of RM0.50 each in the Company.

The movements of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

Option Price	Date of Offer	No. of Share Options				As at 30.06.2003
		As at 01.07.2002	Offered and Accepted	Exercised	Lapsed	
RM2.80/RM2.71 *	11.05.1995	3,049,000	-	1,188,000	423,000	1,438,000
RM2.50/RM2.42 *	06.01.1996	17,000	-	17,000	-	-
RM2.70/RM2.61 *	10.01.1996	244,000	-	69,000	30,000	145,000
RM3.50/RM3.38 *	26.04.1996	110,000	-	110,000	-	-
RM3.90/RM3.77 *	08.11.1996	1,715,000	-	867,000	22,000	826,000
RM2.70/RM2.61 *	27.08.1997	1,258,000	-	570,000	137,000	551,000
RM2.20/RM2.13 *	23.12.1998	515,000	-	434,000	46,000	35,000
RM2.20/RM2.13 *	01.12.1999	1,415,000	-	619,000	222,000	574,000
RM2.45/RM2.37 *	06.01.2001	706,000	-	547,000	83,000	76,000
RM3.70/RM3.58 *	28.12.2001	3,648,000	-	2,476,000	126,000	1,046,000
RM5.20	10.06.2003	-	10,893,000	-	-	10,893,000
Total		12,677,000	10,893,000	6,897,000	1,089,000	15,584,000

* The exercise price of the options were adjusted with effect from 16 October 2002 pursuant to the Capital Distribution.

29 SHARE CAPITAL cont'd

29.2 Issue of Warrants 1995/2003

The Company has on 31 October 1995 issued 209,158,409 detachable warrants ("Warrants") in conjunction with the issue of RM225,000,000 nominal amount of 4% Redeemable Unsecured Loan Stocks 1995/2000. According to the terms of a deed poll dated 28 September 1995, the Warrants entitle the holders at any time within the exercise period of 4 1/2 years to subscribe for new ordinary shares of RM0.50 each in the Company at the subscription price of RM3.35 per share, on the basis of one Warrant for one new ordinary share. On 18 November 1999, the shareholders and Warrants holders have approved the extension of the exercise period of the Warrants. The salient terms of the extension as per the supplemental deed polls dated 17 December 1999 and 25 August 2001 are as follows:

- i The original exercise period of the Warrants shall be extended for one year from 1 May 2000 to 30 April 2001.
- ii The exercise period of the Warrants may be extended beyond 30 April 2001, up to four (4) consecutive periods of one (1) year each from 1 May 2001 ("Further Extension"), provided that the daily weighted average market price of the shares in the Company quoted on the Kuala Lumpur Stock Exchange ("KLSE") at a premium of less than twenty percent (20%) of the subscription price of RM3.35 on any one of the thirty (30) consecutive market days prior to the 31st day of January of the year of expiry of the relevant extension period.
- iii The Company to announce to the KLSE on any Further Extension, three months prior to the expiry dates of the Warrants.
- iv The exercise price of the Warrants of RM3.35 per share will not be revised other than those adjustments provided for in the Deed Poll.

During the previous financial year, the subscription period of the Warrants was extended for another one year from 1 May 2002 to 30 April 2003 ("Warrants 1995/2003") pursuant to clause 5A of the supplemental deed poll dated 17 December 1999.

On 16 October 2002, pursuant to the Capital Distribution, the exercise price of the Warrants 1995/2003 was adjusted from RM3.35 to RM3.25 in accordance with condition 39(1)(c) of the second schedule of the Deed Poll.

The subscription rights of the Warrants 1995/2003 expired on 30 April 2003 pursuant to the conditions stipulated in the Deed Poll and the supplemental deed polls.

notes to the financial statements cont'd

29 SHARE CAPITAL cont'd

29.2 Issue of Warrants 1995/2003 cont'd

The movement of Warrants 1995/2003 during the financial year is as follows:

	No of Warrants 1995/2003		
	As at 01.07.2002	Exercised	Expired
Subscription Price			As at 30.06.2003
RM3.35/RM3.25 (with effect from 16.10.2002)	181,527,431	177,928,072	3,599,359
			-

30 RESERVES

In RM'000

	Group		Company	
	2003	2002	2003	2002
Non distributable				
Share premium	764,711	425,006	764,711	425,006
Revaluation surplus	82,474	64,539	-	-
Capital reserve (Note 30.1)	9,330	9,429	-	-
Foreign exchange fluctuation reserve	(38,295)	3,918	-	-
Reserve on consolidation	7,372	8,150	-	-
Treasury shares, at cost (Note 30.2)	(150,659)	(36,275)	(150,659)	(36,275)
	674,933	474,767	614,052	388,731
Distributable				
Retained profits				
As previously reported	2,314,859	1,973,138	865,911	853,337
Prior year adjustments (Note 45)	-	(3,974)	-	-
As restated	2,314,859	1,969,164	865,911	853,337
	2,989,792	2,443,931	1,479,963	1,242,068

The movements in reserves are shown in the statements of changes in equity.

30.1 Capital reserve

Capital reserve represents net accretion in Group's share of net assets arising from shares issued by certain subsidiaries to minority shareholders.

30 RESERVES cont'd

30.2 Treasury shares

The shareholders of the Company, by a special resolution passed in an extraordinary general meeting held on 18 November 1999, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company which comprises ordinary shares with par value of RM0.50 each ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed during the last Annual General Meeting of the Company on 18 October 2002.

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back its issued shares from the open market as follows:

In RM

	No. of Shares	Cost	Purchase Price Per Share		
			Highest	Lowest	Average
2003					
At beginning of financial year	13,761,000	36,274,417	3.58	2.04	2.64
Purchases during the financial year					
September 2002	396,000	2,158,338	5.57	5.41	5.45
October 2002	3,032,000	16,119,408	5.72	4.99	5.32
March 2003	8,270,000	40,109,899	5.11	4.57	4.85
April 2003	5,414,000	27,201,585	5.21	4.82	5.02
May 2003	5,751,000	28,794,919	5.11	4.97	5.01
	22,863,000	114,384,149	5.72	4.57	5.00
At end of financial year	36,624,000	150,658,566	5.72	2.04	4.11
2002					
At beginning of financial year	10,827,000	26,203,605	2.71	2.04	2.42
Purchases during the financial year					
October 2001	1,140,000	3,676,764	3.29	3.11	3.23
November 2001	711,000	2,531,890	3.53	3.59	3.56
December 2001	1,083,000	3,862,158	3.58	3.54	3.57
	2,934,000	10,070,812	3.58	3.11	3.43
At end of financial year	13,761,000	36,274,417	3.58	2.04	2.64

The Share Buy Back transactions were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

30 RESERVES cont'd

30.3 Distributable reserves

Subject to agreement with the tax authorities:

- i the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank approximately RM279,990,000 (2002 - RM208,548,000) of its retained profits if paid out as dividends; and
- ii the Company has approximately RM228,382,000 (2002 - RM212,382,000) in its tax exempt accounts available for distribution of tax exempt dividends.

Any dividend paid in excess of the aggregated amount indicated in i and ii above would result in a tax charge and payable calculated at 28% (2002 - 28%) on the gross amount of the additional dividend paid.

31 LONG TERM BORROWINGS

In RM'000

	Group		Company	
	2003	2002	2003	2002
Secured				
Term loans	1,482,691	456,857	1,034,149	314,830
Less: portion due within 12 months included under short term borrowings (Note 28)	(62,700)	(79,889)	(17,500)	(67,330)
Total Secured	1,419,991	376,968	1,016,649	247,500
Unsecured				
Term loans	207,000	45,000	207,000	45,000
Less: portion due within 12 months included under short term borrowings (Note 28)	(73,000)	(10,000)	(73,000)	(10,000)
Total Unsecured	134,000	35,000	134,000	35,000
	1,553,991	411,968	1,150,649	282,500

31 LONG TERM BORROWINGS cont'd

The secured term loans of the Group and of the Company include:

- i EUR230 million term loan that are secured by fixed charges over shares in IOI Corporation N.V., Loders Crokiaan Group B.V. and its subsidiaries. The EUR230 million term loan bears interest at rate 2.93% per annum and is repayable in full by September 2008.
- ii RM350 million term loan that are secured by a fixed charge over shares in Unipamol Sdn Bhd and Pamol Plantations Sdn Bhd. The RM350 million term loan bears interest at 4.5% per annum and is repayable by equal quarterly instalments commencing January 2004.
- iii SGD20 million term loan pertaining to a foreign incorporated subsidiary which is secured by a first legal charge over the subsidiary's investment property and is repayable by annual instalments over 5 years from date of drawdown. The SGD20 million term loan bears interest at rates ranging from 1.48% to 2.17% (2002 - 1.97% to 3.41%) per annum.
- iv RM140 million syndicated fixed term loan for the previous financial year that was secured by fixed charges over certain freehold and leasehold plantations of the Group. The RM140 million syndicated fixed term loan bore interest at rates ranging from 4.70% to 5.30% (2002 - 5.07% to 5.21%) per annum and was repaid in full in July 2002.
- v USD30 million syndicated term loan for the previous financial year that was secured by fixed charges over certain freehold and leasehold plantations of the Group. The USD30 million syndicated term loan bore interest at 3.86% (2002 - 3.84% to 5.81%) per annum and was repaid in full in October 2002.
- vi RM150 million joint fixed rate term loan for the previous financial year that was secured by fixed charges over certain leasehold plantations of the Group. The RM150 million joint fixed rate term loan bore interest at 6.50% per annum and was repaid in full in June 2003.

The other secured term loans of the Group and of the Company are secured by fixed charges over certain freehold and leasehold plantations of the Group. Additionally, certain term loans of the subsidiaries are secured by fixed and floating charges over their other assets. These term loans bear interest at rates ranging from 4.50% to 7.65% (2002 - 5.70% to 6.00%) per annum.

notes to the financial statements cont'd

31 LONG TERM BORROWINGS cont'd

The term loans are repayable by instalments of varying amounts over the following periods:

In RM'000

	Group		Company	
	2003	2002	2003	2002
Within 2 years	516,754	367,356	263,465	342,830
Between 2 to 5 years	973,007	94,971	777,754	17,000
After 5 years	199,930	39,530	199,930	-
	1,689,691	501,857	1,241,149	359,830

32 OTHER LONG TERM LIABILITIES

In RM'000

	Group	
	2003	2002
Retirement benefits (Note 32.1)	65,113	6,545
Club membership deposits	14,990	14,738
	80,103	21,283

32.1 Retirement benefits

In RM'000

	Group	
	2003	2002
At beginning of financial year	6,545	415
Addition through subsidiary acquired	44,194	5,815
Provision for the current financial year	11,620	798
Payment made during the financial year	(3,047)	(47)
Reduction through subsidiary disposed	-	(436)
Foreign exchange differences	5,801	-
At end of financial year	65,113	6,545

33 DEFERRED TAXATION

In RM'000

	Group		Company	
	2003	2002	2003	2002
At beginning of financial year				
As reported	115,253	44,901	6,220	5,827
Prior year adjustments	67,667	64,399	-	-
As restated	182,920	109,300	6,220	5,827
Recognised in the income statement (Note 9)				
- Current year	24,143	(2,412)	(500)	393
- Prior years	(465)	(615)	-	-
Charged to equity	7,409	-	-	-
Addition through subsidiary acquired	34,662	46,349	-	-
Reduction through subsidiary disposed	-	(1,559)	-	-
Arising from fair value adjustments on acquisitions	45,994	31,857	-	-
	294,663	182,920	5,720	6,220

Presented after appropriate offsetting as follows:

In RM'000

	Group		Company	
	2003	2002	2003	2002
Deferred tax assets	(35,218)	(29,311)	-	-
Deferred tax liabilities	329,881	212,231	5,720	6,220
	294,663	182,920	5,720	6,220

notes to the financial statements cont'd

33 DEFERRED TAXATION cont'd

The movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

In RM'000

	Group		Company	
	2003	2002	2003	2002
At beginning of financial year				
As reported	115,253	44,901	6,220	5,827
Prior year adjustments	96,978	95,502	-	-
As restated	212,231	140,403	6,220	5,827
Recognised in the income statements (Note 9)				
Temporary differences arising from accelerated capital allowances	17,889	2,706	(500)	393
Temporary differences on prepaid lease rental	4,603	-	-	-
Temporary differences on recognition of project profit	539	(6,025)	-	-
Temporary differences on recognition of project expenses	2,601	98	-	-
Other temporary differences	(2,002)	(1,598)	-	-
	23,630	(4,819)	(500)	393
Charged to equity	9,132	-	-	-
Addition through subsidiary acquired	46,661	46,349	-	-
Reduction through subsidiary disposed	-	(1,559)	-	-
Arising from fair value adjustments on acquisitions	45,994	31,857	-	-
	337,648	212,231	5,720	6,220

33 DEFERRED TAXATION cont'd

Deferred tax assets

In RM'000

	Group	
	2003	2002
At beginning of financial year		
As reported	-	-
Prior year adjustments	29,311	31,103
As restated	29,311	31,103
Recognised in the income statements (Note 9)		
Arising from unabsorbed tax losses	16,557	-
Arising from unutilised capital allowances	5,885	-
Utilisation of unabsorbed tax losses	(24,193)	(2,095)
Utilisation of unutilised capital allowances	(10)	303
Other deductible temporary differences	1,713	-
	(48)	(1,792)
Charged to equity	1,723	-
Addition through subsidiaries acquired	11,999	-
	42,985	29,311

The components of deferred tax liabilities and assets at the end of the financial year comprise tax effects of:

Deferred tax liabilities

In RM'000

	Group		Company	
	2003	2002	2003	2002
Fair value adjustments on acquisitions	115,401	109,027	-	-
Temporary differences arising from accelerated capital allowances	177,742	83,222	5,720	6,220
Temporary differences on prepaid lease rental	11,112	6,509	-	-
Temporary differences on recognition of project profit	2,075	1,533	-	-
Temporary differences on recognition of project expenses	6,131	3,745	-	-
Other taxable temporary differences	6,814	165	-	-
Revaluation of investment properties	10,606	8,030	-	-
	329,881	212,231	5,720	6,220

notes to the financial statements cont'd

33 DEFERRED TAXATION cont'd

Deferred tax assets

In RM'000

	Group	
	2003	2002
Unabsorbed tax losses	11,678	15,398
Unutilised capital allowances	5,553	12,752
Retirement benefit obligations	14,275	1,131
Other deductible temporary differences	3,712	30
	35,218	29,311

Deferred tax assets have not been recognised in respect of the following items:

In RM'000

	Group	
	2003	2002
Unabsorbed tax losses	100,274	112,244
Unutilised capital allowances	12,871	19,924
Other deductible temporary differences	586	788
	113,731	132,956

34 ACQUISITION OF SUBSIDIARIES

2003

During the financial year, the Group acquired the following subsidiaries:

In RM'000

	Note	Cash Outflow, Net of Cash and Cash Equivalents Acquired	Acquired By
i Loders Croklaan	34.1	822,585	IOI Corporation Berhad
ii Unipamol Malaysia Sdn Bhd	34.2	530,683	Palmco Holdings Berhad
iii Pamol Plantations Sdn Bhd	34.2		Palmco Holdings Berhad
iv Kunimas Sdn Bhd	34.3		Syarimo Sdn Bhd
v Tanda Bestari Development Sdn Bhd	34.4	9,204	Cahaya Kota Development Sdn Bhd
		1,362,914	

* No of shares of EUR1.00 each

34 ACQUISITION OF SUBSIDIARIES cont'd

34.1 Loders Croklaan

On 30 November 2002, the Company acquired a 100% interest in Loders Croklaan B. V. and the related businesses located in United States, Canada and Egypt (collectively called "Loders Croklaan") from Unilever Group for a total cash consideration of EUR217 million.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiaries are as follows:

In RM'000

Property, plant and equipment	409,347
Other long term assets	11,537
Net current assets	276,870
Other long term liabilities	(86,944)
Net assets acquired	610,810
Goodwill on consolidation	242,173
	852,983
Purchase consideration discharged by cash	852,983
Less: cash and cash equivalents of subsidiaries acquired	(30,398)
Cash outflow on acquisition of subsidiaries	822,585

The effect of the above acquisition on the financial results of the Group during the financial year is as follows:

In RM'000

Operating profit before interest, depreciation, amortisation and taxation	23,626
Depreciation	(21,153)
Amortisation	(8,019)
Interest expense	(19,076)
Loss before taxation	(24,622)
Taxation	1,512
Decrease in Group's net profit	(23,110)

notes to the financial statements cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

34.1 Loders Croklaan cont'd

The effect of the above acquisition on the financial position of the Group as at 30 June 2003 is as follows:

In RM'000

	2003
Property, plant and equipment	427,337
Other long term assets	12,417
Net current assets	339,936
Other long term liabilities	(110,144)
Goodwill on consolidation	234,025
Increase in Group's net assets	903,571

The carrying amounts of certain property, plant and equipment of Loders Croklaan are still subject to fair value adjustments based on valuation to be carried out by independent valuer which will only be available in the financial year ending 30 June 2004. Accordingly, goodwill may be adjusted in the financial year ending 30 June 2004 in accordance with the provisions of MASB 21, Business Combinations.

34.2 Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd

On 17 January 2003, a subsidiary of the Company, Palmco Holdings Berhad acquired the entire issued and paid-up share capital of Unipamol Malaysia Sdn Bhd and 49.99% of the issued and paid-up share capital of Pamol Plantations Sdn Bhd from the wholly-owned subsidiaries of Unilever plc.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiaries are as follows:

In RM'000

Property, plant and equipment	643,034
Other long term assets	635
Net current assets	37,949
Other long term liabilities	(47,939)
Minority interests	(85,798)
Net assets acquired	547,881
Goodwill on consolidation	31,989
	579,870
Purchase consideration	579,870
Less: cash and cash equivalents of subsidiaries acquired	(26,284)
Less: Other payables	(22,903)
Cash outflow on acquisition of subsidiaries	530,683

34 ACQUISITION OF SUBSIDIARIES cont'd

34.2 Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd cont'd

The effect of the above acquisition on the financial results of the Group during the financial year is as follows:

In RM'000

Operating profit before interest, taxation, depreciation and amortisation	41,841
Depreciation	(3,988)
Amortisation	(675)
Interest expense	(7,125)
Profit before taxation	30,053
Taxation	(9,007)
Profit after taxation	21,046
Minority interest	(11,021)
Increase in Group's net profit	10,025

The effect of the above acquisition on the financial position of the Group as at 30 June 2003 is as follows:

In RM'000

	2003
Property, plant and equipment	639,801
Other long term assets	635
Net current assets	63,802
Other long term liabilities	(47,534)
Minority interest	(96,819)
Goodwill on consolidation	31,313
Increase in Group's net assets	591,198

34 ACQUISITION OF SUBSIDIARIES cont'd

34.3 Kunimas Sdn Bhd

On 11 July 2002, a subsidiary of the Company, Syarimo Sdn Bhd acquired the entire issued and paid-up share capital of Kunimas Sdn Bhd ("Kunimas") for a total cash consideration of RM440,521.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiary are as follows:

In RM'000

Property, plant and equipment	132
Net current liabilities	(145)
Net liabilities acquired	(13)
Goodwill on consolidation	455
	442
Purchase consideration discharged by cash	442
Less: cash and cash equivalents of subsidiary acquired	-
Cash outflow on acquisition of subsidiary	442

The effect of the above acquisition on the financial results of the Group during the financial year was insignificant as the company was inactive.

The effect of the above acquisition on the financial position of the Group as at 30 June 2003 is as follows:

In RM'000

	2003
Property, plant and equipment	498
Net current liabilities	(514)
Goodwill on consolidation	443
Increase in Group's net assets	427

34 ACQUISITION OF SUBSIDIARIES cont'd

34.4 Tanda Bestari Development Sdn Bhd

On 19 September 2002, a subsidiary of the Company, Cahaya Kota Development Sdn Bhd acquired the entire issued and paid-up share capital of Tanda Bestari Development Sdn Bhd ("Tanda Bestari") for a total cash consideration of RM10,226,000.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiary are as follows:

In RM'000

Land held for development	10,226
Net current liabilities	(21)
Other long term liabilities	(1,503)
Net assets acquired	8,702
Goodwill on consolidation	1,524
	10,226
Purchase consideration discharged by cash	10,226
Less: Deposits paid during the previous financial year	(1,022)
Cash outflow on acquisition of subsidiary	9,204

The effect of the above acquisition on the financial results of the Group during the financial year was insignificant as the company was inactive.

The effect of the above acquisition on the financial position of the Group as at 30 June 2003 is as follows:

In RM'000

	2003
Land held for development	10,665
Net current liabilities	(3)
Deferred taxation	(1,503)
Goodwill on consolidation	1,524
Minority interest	(3,678)
Increase in Group's net assets	7,005

notes to the financial statements cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

2002

During the previous financial year, the Group acquired the following subsidiaries:

In RM'000

	Note	Cash Inflow/(Outflow), Net of Cash and Cash Equivalents Acquired	Acquired By
i Palmco Holdings Berhad	34.5	31,075	IOI Corporation Berhad
ii Riang Takzim Sdn Bhd	34.6	(1,000)	Cahaya Kota Development Sdn Bhd
iii Lush Development Sdn Bhd	34.7	(37,713)	Cahaya Kota Development Sdn Bhd
		(11,417)	Riang Takzim Sdn Bhd
		(49,130)	
		(19,055)	

34.5 Palmco Holdings Berhad

As at end of the financial year ended 30 June 2001, the Group held 32% equity interest in Palmco Holdings Berhad ("Palmco") and Palmco was accounted for as an associate of the Group.

During the first 3 months of the previous financial year, the Group acquired an additional 27,641,231 ordinary shares of RM1.00 each in Palmco ("Palmco Shares") and the effective equity interest in Palmco as an associate of the Group increased from 32% to 40% as at 30 September 2001.

Subsequent to that, the Group has further acquired 43,051,408 Palmco Shares representing 19% effective equity interest for a total cash consideration of RM188.3 million. Palmco was accounted for as a subsidiary with effect from 4 October 2001 when the Mandatory General Offer became unconditional.

Details of fair value of the net assets acquired and cash inflow on acquisition of subsidiary were as follows:

In RM'000

Property, plant and equipment	463,710
Investment in associates	135,921
Other long term investments	7,357
Net current assets	308,426
Long term borrowings	(40,000)
Other long term liabilities	(52,164)
Minority interests	(317,938)
Less: Net assets previously accounted for as interest in associate	(350,632)
Net assets acquired	154,680
Goodwill on consolidation	33,663
Cost on acquisition	188,343
Purchase consideration discharged by cash	188,343
Less: cash and cash equivalents of subsidiary acquired	(219,418)
Cash inflow on acquisition of subsidiary	(31,075)

34 ACQUISITION OF SUBSIDIARIES cont'd

34.5 Palmco Holdings Berhad cont'd

The effect of the above acquisition on the financial results of the Group during the previous financial year was as follows:

In RM'000

	2002		
	As an Associate	As a Subsidiary	Total
Revenue	-	568,398	568,398
Operating cost	-	(509,293)	(509,293)
Operating profit	-	59,105	59,105
Interest income	-	4,455	4,455
Interest expense	-	(1,597)	(1,597)
Share of results of associate	13,653	32,760	46,413
Profit before taxation	13,653	94,723	108,376
Taxation	(1,809)	(4,164)	(5,973)
Profit after taxation	11,844	90,559	102,403
Minority interest	-	(37,899)	(37,899)
Net profit for the financial year	11,844	52,660	64,504
Less: Group's share of results in associate had the Group not acquired the additional equity interest	(11,844)	(39,128)	(50,972)
Increase in Group's net profit	-	13,532	13,532

The effect of the above acquisition on the financial position of the Group as at 30 June 2002 was as follows:

In RM'000

	2002
Property, plant and equipment	480,468
Associate	150,449
Other long term investments	6,534
Goodwill on consolidation	91,171
Net current assets	299,857
Long term borrowings	(29,816)
Other long term liabilities	(6,545)
Deferred taxation	(45,314)
Minority interest	(359,758)
Group's share of net assets	587,046
Less: Amount accounted for as an associate	(350,632)
Less: Group's share of results in associate had the Group not acquired the additional equity interest	(39,128)
Increase in Group's net assets	197,286

notes to the financial statements cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

34.6 Riang Takzim Sdn Bhd

On 3 October 2001, a subsidiary of the Company, Cahaya Kota Development Sdn Bhd acquired 999,998 ordinary shares of RM1.00 each or 99.9998% equity interest in Riang Takzim Sdn Bhd for cash consideration of RM1,000,000.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiary were as follows:

In RM'000

Net current assets	959
Net assets acquired	959
Goodwill on consolidation	41
	1,000
Purchase consideration discharged by cash	1,000
Cash outflow on acquisition of subsidiary	1,000

The effect of the above acquisition on the financial results of the Group during the previous financial year was insignificant as the company was inactive.

The effect of the above acquisition on the financial position of the Group as at 30 June 2002 was as follows:

In RM'000

Net current assets	959
Goodwill on consolidation	41
Increase in Group's net assets	1,000

34 ACQUISITION OF SUBSIDIARIES cont'd

34.7 Lush Development Sdn Bhd

The acquisitions of Lush Development Sdn Bhd by Cahaya Kota Development Sdn Bhd and Riang Takzim Sdn Bhd were completed on 3 October 2001. The equity interests acquired were as follows:

Acquired By

	No. of Ordinary Shares of RM1.00 each	Equity Interest Acquired	Cash Consi- deration RM'000
Cahaya Kota Development Sdn Bhd	5,100	51%	12,138
Riang Takzim Sdn Bhd	4,900	49%	11,662
	10,000	100%	23,800

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiary were as follows:

In RM'000

Land held for development	74,056
Net current liabilities	(12,300)
Deferred taxation	(9,256)
Net assets acquired	52,500
Purchase consideration discharged by cash	52,500
Less: deposits paid during the previous financial year	(3,370)
Cash outflow on acquisition of subsidiary	49,130

The effect of the above acquisition on the financial results of the Group during the previous financial year was insignificant as the company has yet to commence business.

The effect of the above acquisition on the financial position of the Group as at 30 June 2002 was as follows:

In RM'000

Land held for development	79,246
Net current liabilities	(12,306)
Deferred taxation	(9,256)
Increase in Group's net assets	57,684

35. DISPOSAL OF A SUBSIDIARY

2002

On 4 March 2002, the Company disposed of its 13,073,002 ordinary shares of RM1.00 each in Nissan-Industrial Oxygen Incorporated Berhad representing 31.78% of the issued and paid-up share capital of Nissan-Industrial Oxygen Incorporated Berhad to Malaysian Oxygen Berhad for a cash consideration of RM67,456,690 or RM5.16 per share by way of a direct business transaction through the Kuala Lumpur Stock Exchange.

Details of fair value of the net assets disposed and cash inflow on disposal of the subsidiary were as follows:

In RM'000

	As At Date of Disposal
Property, plant and equipment	112,487
Other long term investments	38
Goodwill on consolidation	2,034
Net current assets	30,136
Deferred taxation	(1,520)
Long term borrowings	(9,000)
Retirement benefits	(436)
Minority interests	(73,737)
	60,002
Less: Share of net assets yet to be disposed reclassified to short term investments	(16,015)
Total share of net assets disposed	43,987
Net proceeds from disposal	67,321
Gain on disposal of a subsidiary	23,334
Cash consideration for the disposal	67,457
Less: Expenses incurred for the disposal	(136)
Net proceeds from disposal	67,321
Less: cash and cash equivalents disposed	(15,765)
Cash inflow on disposal of a subsidiary	51,556

35. DISPOSAL OF A SUBSIDIARY cont'd

The effect of the above disposal on the financial results of the Group during the previous financial year was as follows:

In RM'000

	2002
	As a subsidiary up to disposal date
Revenue	43,535
Operating costs	(35,003)
Operating profit	8,532
Interest income	248
Finance costs	(748)
Profit before taxation	8,032
Taxation	(2,775)
Profit after taxation	5,257
Minority interest	(2,958)
Net profit for the financial year	2,299
Gain on disposal of subsidiary	23,334
Increase in Group's net profit	25,633

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of financial year comprise:

In RM'000

	Group		Company	
	2003	2002	2003	2002
Short term funds	44,649	61,641	-	-
Deposits with financial institutions	218,659	216,632	41,382	1,137
Cash and bank balances	236,524	201,853	324	489
Bank overdrafts	(12,148)	(27,600)	(875)	(11,162)
	487,684	452,526	40,831	(9,536)
Less: Deposits with financial institutions (pledged)	(1,000)	(1,000)	(1,000)	(1,000)
Cash and cash equivalents	486,684	451,526	39,831	(10,536)

The Group has undrawn borrowing facilities of RM634,893,000 (2002 - RM581,420,000) at end of the financial year.

37 SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of Related Parties

- The Company has a controlling related party relationship with its direct and indirect subsidiaries as disclosed in the financial statements.
- The Group also has related party relationships with the Company's largest corporate shareholder, its associates, certain directors and key management personnel of the Company and its subsidiaries and associates and the close family members of these directors and key personnel. The related parties are as follows:

Corporate shareholder of the Company

Progressive Holdings Sdn Bhd and its related companies

Associates

Continental Estates Sdn Bhd
 Reka Halus Sdn Bhd
 Perumahan Abadi Sdn Bhd
 Fatty Chemical (Malaysia) Sdn Bhd *
 Koa Plasticizer (Malaysia) Sdn Bhd *
 Malaysia Pakistan Venture Sdn Bhd *

* Associates of Palmco Holdings Berhad

37 SIGNIFICANT RELATED PARTY DISCLOSURES cont'd

Identity of Related Parties cont'd

Directors and key management personnel

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Dato' Yeo How
Lee Cheng Leang
Dato' Foong Hong Meng @ Foong Lai Choong
Lai Ming Chun @ Lai Poh Lin
David Tan Thean Thye
Tee Kok Tong
Barry Kheng Cheok Tan

Affiliates

Mayvin Incorporated Sdn Bhd	- a company in which Tan Sri Dato' Lee Shin Cheng and Lai Ming Chun @ Lai Poh Lin have substantial shareholdings
B.A. Plantations Sdn Bhd	- a company in which Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor have substantial shareholdings
Pine Capital Sdn Bhd	- a company in which Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lai Ming Chun @ Lai Poh Lin have substantial shareholdings
Right Purpose Sdn Bhd	- a company in which Lai Ming Chun @ Lai Poh Lin has substantial shareholdings
Malayapine Estates Sdn Bhd	- a company in which Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor have substantial shareholdings

notes to the financial statements cont'd

37 SIGNIFICANT RELATED PARTY DISCLOSURES cont'd

Significant Related Party Transactions

In the normal course of business, the Group undertakes transactions with certain of its related parties listed above. Set out below is the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

In RM'000

		Group	
		2003	2002
a	Sales of palm products Mayvin Incorporated Sdn Bhd	27,460	19,551
b	Sales of oleochemical products and palm kernel oil Fatty Chemical (Malaysia) Sdn Bhd	281,333	111,409
c	Purchases of palm products Continental Estates Sdn Bhd	22,033	12,509
	B.A. Plantations Sdn Bhd	24,482	14,411
	Pine Capital Sdn Bhd	29,538	16,499
	Right Purpose Sdn Bhd	18,112	12,598
	Mayvin Incorporated Sdn Bhd	107,094	68,318
d	Purchases of oleochemical products Fatty Chemical (Malaysia) Sdn Bhd	12,924	11,623
e	Agency fees Continental Estates Sdn Bhd	394	250
f	Property project management services Malayapine Estates Sdn Bhd	2,066	1,276
g	Rental income on storage tank Fatty Chemical (Malaysia) Sdn Bhd	5,798	4,133

38 CONTINGENT LIABILITIES – UNSECURED

In RM'000

	Group		Company	
	2003	2002	2003	2002
Litigations involving claims for damages and compensation	3,007	3,909	-	-
Guarantees for credit facilities of subsidiaries	-	-	40,669	78,684
Guarantees issued to third parties	8,225	7,474	2,232	349
Counter indemnities to banks for bank guarantees issued	18,749	18,358	6,859	6,739
	29,981	29,741	49,760	85,772

Material Litigations – Subsidiaries

The Directors are of the opinion that the possibility of any outflow in settlement arising from the following litigations are remote based on legal opinion obtained. Nevertheless, disclosures are made in view of their materiality.

- i Unipamol Malaysia Sdn Bhd ("Unipamol"), a subsidiary of Palmco Holdings Berhad ("Palmco"), has obtained summary judgement against Unitangkob (Malaysia) Berhad ("Unitangkob") in 2001 for the principal sum of approximately RM5 million. The defendant has filed an appeal against the summary judgement and other applications including an application to amend their Defence and include a Counter Claim against Unipamol for a sum of RM208 million for special and general damages.
- ii The legal suit instituted by the shareholders of Unitangkob against Unipamol, Pamol Plantations Sdn Bhd, Unilever plc and its subsidiary Pamol (Sabah) Ltd in which the Plaintiffs claimed for inter-alia special damages of RM43.47 million, general damages of RM136.85 million or such amount as may be assessed by the court.

The relevant subsidiaries have obtained favourable legal opinions on the merits of their respective cases which were existing prior to them becoming Palmco's subsidiaries.

The full details of these litigations have been disclosed in the Group's Quarterly Report.

39 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, market risk, credit risk, liquidity and cashflow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group operates within established risk management framework and clearly defined guidelines that are approved by the Board.

Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly US Dollar, Euro, Canadian Dollar, Japanese Yen and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from committed purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts and options.

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

**Group
2003**

In RM'000

	Maturities			
	Within 1 Year	1 - 5 Years	5 Years or More	Total Notional Amount
Sales contracts	687,470	4,520	-	691,990
Purchase contracts	83,273	-	-	83,273

The net unrecognised gain/(loss) as at 30 June 2003 on forward contracts used to hedge committed sales and purchases which are substantially expected to occur during financial year 2004 amounted to RM4,154,000 and (RM2,508,000) respectively. These net gain/(loss) are deferred until the related future transactions occur, at which time they will be included in the measurement of the transactions.

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk

The Group's interest rate risk relates primarily to the Group's debt obligations.

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

The information on effective interest rates and repricing analysis of financial assets and liabilities are as follows:

Group 2003

In RM'000

	Effective Interest Rate %	Total	Within 1 Year	1-5 Years	After 5 Years
Financial assets					
Short term funds	4.04	44,649	44,649	-	-
Deposits with financial institutions	2.80	218,659	218,659	-	-
Cash held in Housing Development Accounts	2.10	150,702	150,702	-	-
Financial liabilities					
Secured overdraft	4.00	5,919	5,919	-	-
Unsecured overdraft	6.19	6,229	6,229	-	-
Secured revolving credits	2.03	19,468	19,468	-	-
Unsecured revolving credits	3.00	30,000	30,000	-	-
Unsecured short term loans	2.97	140,000	140,000	-	-
Unsecured trade financing	3.10	1,886	1,886	-	-
Secured term loans	3.34	1,482,691	1,176,441	306,250	-
Unsecured term loans	3.93	207,000	207,000	-	-

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

Company

2003

In RM'000

	Effective Interest Rate %	Total	Within 1 Year	1-5 Years	After 5 Years
Financial assets					
Deposits with financial institutions	2.80	41,382	41,382	-	-
Financial liabilities					
Unsecured overdraft	6.19	875	875	-	-
Unsecured revolving credits	3.00	30,000	30,000	-	-
Unsecured short term loans	2.97	140,000	140,000	-	-
Secured term loans	2.96	1,034,149	1,034,149	-	-
Unsecured term loans	3.93	207,000	207,000	-	-

As at 30 June 2003, the Company has entered into an interest rate swap contract for a notional amount of EUR230 million and for a period of up to 30 November 2005 to swap the interest reference rate of the Company's EUR230 million long term loan from EURO Interbank Offered Rate ("EURIBOR") to USD London Interbank Offered Rate ("USD LIBOR") in order to benefit from the lower USD LIBOR rate without incurring foreign exchange exposure.

Price fluctuation risk

The Group is exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. The Group sells forward in the physical market and enters into commodity future contracts with the objective of managing and hedging the Group's exposure to price volatility in the commodity markets.

As at balance sheet date, the Group has entered into the following commodity future contracts with maturities of less than 1 year:

Group

2003

In RM'000

	Total	Net Unrecognised Gain/(Loss) As At 30.06.2003
Sales contracts	24,117	(1,486)
Purchase contracts	43,705	1,621

39 FINANCIAL INSTRUMENTS cont'd

Price fluctuation risk cont'd

The net unrecognised gain/(loss) on the above commodity future contracts have been deferred until the related future transactions occur, at which time they will be included in the measurement of the transactions.

The Group is also exposed to price fluctuation risk arising from changes in the market prices of its quoted investments. The Group does not use derivative instruments to manage this risk as these quoted investments are mainly held as long term investments.

Credit risk

Credit risk or risk of financial loss from the failure of customers or counterparties to discharge their financial and contractual obligations, is managed through the application of credit approvals, credit limits, insurance programme and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collaterals from counter parties as a mean of mitigating losses in the event of default.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

The maximum exposure to credit risk for the Group and for the Company were represented by the carrying amount to each financial assets; and in addition, in respect of derivatives, the notional amount as disclosed in the respective notes to financial statements.

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met. To mitigate liquidity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operation and investment activities. In addition, the Group strives to maintain available banking facilities at a reasonable level against its overall debt position.

39 FINANCIAL INSTRUMENTS cont'd

Fair values

The carrying amounts of financial instruments of the Group and of the Company at the balance sheet date approximated their fair value except as set out below:

2003

In RM'000

	Group		Company	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Quoted other long term investments	29,693	38,858	9,991	7,470
Quoted short term investments	2,059	3,484	-	-
Financial liabilities				
Term loans	350,000	369,766	-	-
Derivative financial instruments				
Forward foreign exchange contracts				
Sale contracts	-	3,690	-	-
Purchase contracts	-	(2,406)	-	-
Commodity future contracts				
Sale contracts	-	(1,486)	-	-
Purchase contracts	-	1,621	-	-
Interest rate swap	-	4,774	-	-

The following methods and assumptions are used to estimate the fair values of financial instruments:

- The carrying amounts of financial assets and liabilities maturing within 12 months approximate fair values due to the relatively short term maturity of these financial instruments.
- The fair values of quoted securities are their quoted market prices at the balance sheet date.
- The fair values of the Group's borrowings are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements and of the same remaining maturities.
- The fair values of derivative financial instruments are the estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions arising from such contracts.
- It is not practical to estimate the fair value of the Group's long term unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.
- It is also not practical to estimate the fair values of amounts due to/from subsidiaries and associates, due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

Comparative information on financial instruments are not presented upon first application of MASB 24, Financial Instruments: Disclosure and Presentation

40 COMMITMENTS

40.1 Capital Commitments

In RM'000

	Group		Company	
	2003	2002	2003	2002
Authorised capital expenditure not provided for in the financial statements				
- Contracted				
Purchase of property, plant and equipment	30,829	27,252	-	1,531
New planting	262	-	-	-
Construction in progress	26,182	41,626	-	-
- Not Contracted				
Purchase of property, plant and equipment	48,774	74,833	4,546	2,113
New planting	14,325	23,463	1,320	1,060

40.2 Operating Lease Commitments

The future minimum lease payments under non-cancellable operating lease are as follows:

In RM'000

	Group	
	2003	2002
Not later than 1 year	2,746	-
Later than 1 year and not later than 5 years	12,866	3,000
Later than 5 years	139,214	74,214
	154,826	77,214

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

41.1 Requotation of Palmco Holdings Berhad

On 10 October 2002, the Company acquired 23,738,316 ordinary shares of RM1.00 each in Palmco Holdings Berhad ("Palmco Shares") from Servitel Development Sdn Bhd, a subsidiary of Sime Darby Berhad ("Sime") for a cash consideration of RM109,196,253.60 or RM4.60 per share.

During the previous financial year, the Company proposed the Capital Distribution and placement arrangements of the Palmco Shares which might otherwise be received under the Capital Distribution by shareholders of the Company who were not deemed as public shareholders under the Kuala Lumpur Stock Exchange's Listing Requirements ("Placement Arrangements"). The Capital Distribution and Placement Arrangements were completed on 31 October 2002.

With the acquisition of Palmco Shares from Sime and the completion of Capital Distribution and Placement Arrangements, Palmco Shares were requoted on 8 November 2002.

41.2 Acquisition of the Entire Business of Loders Croklaan

On 31 August 2002, the Company entered into an agreement to acquire a 100% interest in Loders Croklaan B. V. and the related businesses located in United States, Canada and Egypt (collectively called "Loders Croklaan") from Unilever Group for a total cash consideration of EUR217 million.

Loders Croklaan is one of the leading global suppliers of specialty oils and fats to the food sector. It has a long-standing tradition of quality and innovation and has pioneered products and applications in its core snack ingredients business. It is also in the development of the potentially high growth area of nutritional lipid and operates a small special product unit trading in both food and animal feed ingredients.

The acquisition was completed on 30 November 2002.

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

41.3 Acquisition of Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd

On 2 December 2002, Palmco Holdings Berhad ("Palmco") announced its proposed acquisition of the entire issued and paid-up share capital of Unipamol Malaysia Sdn Bhd ("Unipamol") and 49.99% of the issued and paid-up share capital of Pamol Plantations Sdn Bhd ("PPSB") for a total cash consideration of RM567 million, subject to adjustments, from the wholly-owned subsidiaries of Unilever plc.

The Unipamol group of companies and the PPSP group of companies ("Pamol Group") are principally involved in oil palm plantation business with a total of 23,045 hectares of oil palm estates, of which 8,148 hectares and 14,897 hectares are located in Kluang, Johor and Labuk, Sabah respectively. In addition, the Pamol Group has two palm oil mills with annual processing capacity of 360,000 and 390,000 metric tonne in Johor and Sabah respectively.

The acquisition was completed on 17 January 2003. The purchase consideration has been revised from RM567 million to RM555 million as mutually agreed between Palmco and the vendors.

The acquisition has been part financed by a term loan of RM350 million. The term loan is secured by a pledge over the shares in Unipamol and PPSP.

41.4 Proposed Acquisition of Interest in Oil Palm Estates and Palm Oil Mill in Sabah

On 19 March 2003, the Company had entered into several conditional sale and purchase agreements with several vendors to acquire the entire equity interest in the following companies for a total consideration of RM607.7 million:

- i B. A. Plantations Sdn Bhd
- ii Mayvin (Sabah) Sdn Bhd
- iii Pine Capital Sdn Bhd
- iv Right Purpose Sdn Bhd
- v Mayvin Incorporated Sdn Bhd

The above companies are principally involved in oil palm plantation business with a total of 21,722 hectares of oil palm estates and a palm oil mill in Sabah. The oil palm estates are located adjacent or within the vicinity of oil palm estates of the Group.

The proposed acquisition has been approved by the Securities Commission ("SC") on 25 August 2003 with a revision in the purchase consideration from RM607.7 million to RM535.6 million to be satisfied by the issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share and RM160.7 million by cash. The approval of the Foreign Investment Committee ("FIC") has also been obtained vide the same SC's letter in accordance with the SC regulations, applicable to the proposed acquisition.

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

41.4 Proposed Acquisition of Interest in Oil Palm Estates and Palm Oil Mill in Sabah cont'd

The Directors and/or major shareholders of the Company who are interested or deemed to be interested in the proposed acquisition are as follows:

- i Tan Sri Dato' Lee Shin Cheng
- ii Dato' Lee Yeow Chor
- iii Lee Cheng Leang
- iv Puan Sri Datin Hoong May Kuan
- v Progressive Holdings Sdn Bhd

The proposed acquisition is still pending approvals from the followings:

- i shareholders of the Company at an extraordinary general meeting to be convened in which interested shareholders and persons connected shall abstain from voting;
- ii Kuala Lumpur Stock Exchange for the listing of and quotation for the new shares to be issued.

The full details of the proposed acquisition and the approvals by the SC and the FIC have been announced by the Company on 20 March 2003 and 2 September 2003 respectively.

42 SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

Business Segments

The Group comprises the following main business segments:

Plantation	Cultivation of oil palm and rubber and processing of palm oil and rubber
Property development	Development of residential and commercial properties
Property investment	Investment in shopping mall, office complex and other properties
Resource-based manufacturing	Manufacturing of oleochemicals, specialty oils and fats, palm oil refinery and palm kernel crushing
Other operations	Management and operation of hotels and resorts, landscape services and other operations which are not sizable to be reported separately

42 SEGMENTAL INFORMATION cont'd

Geographical Segments

The Group's major businesses operate in the following principal geographical areas:

Malaysia	Cultivation of oil palm and rubber and processing of palm oil and rubber Development of residential and commercial properties Investment in shopping mall, office complex and other properties Manufacturing of oleochemicals, palm oil refinery and palm kernel crushing Management and operation of hotels and resorts, landscape services and other operations
Europe	Manufacturing and supply of specialty oils and fats
North America	Manufacturing and supply of specialty oils and fats
Asia	Supply of oleochemicals, refined and specialty oils and fats
Others	Investment in office complex and various sale offices for specialty oils and fats around the world which are not sizable to be reported separately

notes to the financial statements cont'd

42 SEGMENTAL INFORMATION cont'd

Business Segments

2003

In RM'000

	Plantation	Property Deve- lopment	Property Investment	Resource- based Manu- facturing	Other Operations	Elimi- nations	Consoli- dated
Revenue							
External sales	478,117	509,857	48,460	2,758,263	113,174	-	3,907,871
Inter-segment sales	623,431	-	-	103,964	-	(727,395)	-
Total revenue	1,101,548	509,857	48,460	2,862,227	113,174	(727,395)	3,907,871
Result							
Segment result	530,281	241,907	13,295	95,541	1,546	-	882,570
Unallocated corporate expenses							(55,936)
Operating profit							826,634
Interest income							16,976
Finance costs							(72,200)
Share of profits of associates	13,117	-	-	27,966	133	-	41,216
Profit before taxation							812,626
Taxation							(161,093)
Profit after taxation							651,533
Minority interests							(149,481)
Net profit attributable to shareholders							502,052
Assets							
Segment assets	2,720,538	1,297,951	559,439	1,970,438	556,835	-	7,105,201
Investment in associates	83,664	-	-	144,799	3,614	-	232,077
Unallocated corporate assets							248,756
Consolidated total assets							7,586,034

42 SEGMENTAL INFORMATION cont'd

Business Segments cont'd

2003

In RM'000

	Plantation	Property Deve- lopment	Property Investment	Resource- based Manu- facturing	Other Operations	Elimi- nations	Consoli- dated
Liabilities							
Segment liabilities	91,547	148,966	49,182	270,658	67,488	-	627,841
Unallocated corporate liabilities							2,232,576
Consolidated total liabilities							2,860,417
Other Information							
Capital expenditure	102,608	4,010	1,827	56,497	34,497	-	199,439
Depreciation and amortisation	42,682	4,861	3,450	78,151	12,902	-	142,046
Non-cash items other than depreciation and amortisation	1,709	267	14,831	16,533	41,117	-	74,457

2002

In RM'000

	Plantation	Property Deve- lopment	Property Investment	Resource- based Manu- facturing	Other Operations	Elimi- nations	Consoli- dated
Revenue							
External sales							
Continuing operations	237,404	538,809	44,864	1,460,004	85,884	-	2,366,965
Discontinuing operations	-	-	-	-	43,535	-	43,535
	237,404	538,809	44,864	1,460,004	129,419	-	2,410,500
Inter-segment sales	441,365	-	-	50,682	-	(492,047)	-
Total revenue	678,769	538,809	44,864	1,510,686	129,419	(492,047)	2,410,500

notes to the financial statements cont'd

42 SEGMENTAL INFORMATION cont'd

Business Segments cont'd

2002

In RM'000

	Plantation	Property Deve- lopment	Property Investment	Resource- based Manu- facturing	Other Operations	Elimi- nations	Consoli- dated
Result							
Segment result							
Continuing operations	228,962	231,642	26,141	57,786	13,382	-	557,913
Discontinuing operations	-	-	-	-	8,128	-	8,128
	228,962	231,642	26,141	57,786	21,510	-	566,041
Unallocated corporate expenses							(10,746)
Operating profit							555,295
Interest income							11,924
Finance costs							(48,329)
Share of profits of associates	7,976	3,394	-	43,192	(4,141)	-	50,421
Profit before taxation							569,311
Taxation							(115,537)
Profit after taxation							453,774
Minority interests							(107,273)
Net profit attributable to shareholders							346,501
Assets							
Segment assets	1,880,528	1,311,207	540,511	944,301	557,861	-	5,234,408
Investment in associates	93,177	-	-	150,449	17,637	-	261,263
Unallocated corporate assets							103,597
Consolidated total assets							5,599,268

42 SEGMENTAL INFORMATION cont'd

Business Segments cont'd 2002

In RM'000

	Plantation	Property Deve- lopment	Property Investment	Resource- based Manu- facturing	Other Operations	Elimi- nations	Consoli- dated
Liabilities							
Segment liabilities	81,447	131,951	61,044	102,497	56,278	-	433,217
Unallocated corporate liabilities							1,345,796
Consolidated total liabilities							1,779,013
Other Information							
Capital expenditure	64,940	10,999	11,589	101,263	107,238	-	296,029
Depreciation and amortisation	33,831	4,542	2,920	39,154	4,371	-	84,818
Non-cash items other than depreciation and amortisation	1,287	596	501	2,621	2,122	-	7,127

Geographical Segments 2003

In RM'000

	Malaysia	Europe	North America	Asia	Others	Consoli- dated
Revenue from external customers by location of customers	1,263,428	679,124	278,290	1,620,254	66,775	3,907,871
Segment assets by location of assets	5,840,381	754,004	337,174	156,539	17,103	7,105,201
Capital expenditure by location of assets	184,304	8,025	1,486	5,575	49	199,439

2002

In RM'000

	Malaysia	Europe	North America	Asia	Others	Consoli- dated
Revenue from external customers by location of customers	1,329,524	110,925	26,870	926,641	16,540	2,410,500
Segment assets by location of assets	5,027,053	-	4,309	203,046	-	5,234,408
Capital expenditure by location of assets	296,029	-	-	-	-	296,029

43 ANALYSIS OF LIABILITIES PAYABLE AND DEBTS RECEIVABLE – GROUP

The liabilities payable and debts receivable by the Group, estimated by the Directors are as follows:

In RM'000

	Group	
	2003	2002
Liabilities Payable		
Amount due to associates	2,739	2,739
Trade payables	216,983	105,877
Other payables and accruals	313,982	275,524
Amount due to customers on contracts	-	194
Bank overdrafts	12,148	27,600
Short term borrowings ¹	191,354	590,527
Taxation	23,536	41,181
Term loans	1,689,691	501,857
Club membership deposits	14,990	14,738
	2,465,423	1,560,237
Less:		
Short term funds	44,649	61,641
Deposits with financial institutions	218,659	216,632
Cash and bank balances	236,524	201,853
	1,965,591	1,080,111
Payable as follows:		
Within 2 years ²	586,310	630,872
Between 2 to 5 years	1,164,361	394,971
After 5 years	214,920	54,268
	1,965,591	1,080,111
Debts Receivable		
Amount due from associates	3,437	5,539
Trade receivables	398,548	238,431
Other receivables, deposits and prepayments	160,966	79,614
Amount due from customers on contracts	624	-
Tax recoverable	1,247	10,187
	564,822	333,771
Add:		
Estimated proceeds to be received from the exercise of Warrants 1995/2003	-	608,117
	564,822	941,888
Receivable as follows:		
Within 2 years	564,822	941,888
Between 2 to 5 years	-	-
	564,822	941,888

Notes:

1 Included in short term borrowings of RM191,354,000 (2002 - RM590,527,000) are revolving credit facilities of RM49,468,000 (2002 - RM37,443,000) and Commercial Papers of RM140,000,000 (2002 - RM280,000,000). Even though these facilities have been classified as payable within 2 years based on accounting requirements, the Directors are however of the view that the facilities form part of the basic financing tools of the Group and therefore significant portion of these facilities will continue to be available in the foreseeable future.

2 The liabilities payable within 2 years is net of short term funds, deposits with financial institutions and cash and bank balances.

44 LIST OF SUBSIDIARIES AND ASSOCIATES

The subsidiaries and associates, incorporated in Malaysia except otherwise stated, are as follows:

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Direct Subsidiaries			
Plantation			
Cantawan Oil Palms Sdn Bhd	100%	100%	Cultivation of oil palm
Fruitful Plantations Sdn Bhd	100%	100%	Cultivation of oil palm
Hill Land Sdn Bhd	100%	100%	Cultivation of oil palm
Ladang Asas Sdn Bhd	100%	100%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Berhad	100%	100%	Cultivation of oil palm
Safima Plantations Sdn Bhd	100%	100%	Cultivation of oil palm
Sakilan Desa Sdn Bhd	90%	90%	Cultivation of oil palm
Sri Cantawan Sdn Bhd (formerly known as Syarikat Sri Tapadung Sdn Bhd)	100%	100%	Cultivation of oil palm
Dynamic Plantations Berhad	100%	100%	Cultivation of oil palm and rubber and processing of palm oil
Halusah Ladang Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Perusahaan Mekassar (M) Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Sharikat Pukin Ladang Kelapa Sawit Sdn Berhad	100%	100%	Cultivation of oil palm and processing of palm oil
Morisem Palm Oil Mill Sdn Bhd *	100%	100%	Processing of palm oil and investment holding
IOI Commodity Trading Sdn Bhd	100%	100%	Trading in palm oil and rubber commodities
Future Growth Sdn Bhd	100%	100%	Investment holding
Ladang Sabah Holdings Sdn Bhd	100%	100%	Investment holding
Morisem Consolidated Sdn Bhd *	100%	100%	Investment holding
Morisem Sdn Bhd *	100%	100%	Investment holding
Syarimo Sdn Bhd	100%	100%	Cultivation of oil palm, processing of palm oil and investment holding

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Direct Subsidiaries <small>cont'd</small>			
Property Development and Investment			
Bukit Kelang Development Sdn Bhd	100%	100%	Property development
Nice Skyline Sdn Bhd	60%	60%	Property development and investment holding
Rapat Jaya Sendirian Berhad	100%	100%	Property development
Eng Hup Industries Sdn Berhad	100%	100%	Property development and management
IOI Properties Berhad	65%	65%	Property development, property investment and investment holding
Amoda Sdn Bhd	60%	60%	Property investment and investment holding
Kean Ko Sdn Berhad	100%	100%	Investment holding
Resource-based Manufacturing			
IOI Edible Oils Sdn Bhd *	100%	100%	Palm oil refinery/kernel crushing plant
Loders Croklaan Group B. V. *	100%	-	Investment holding
<i>(Incorporated in the Netherlands)</i>			
Palmco Holdings Berhad *	51%	59%	Investment holding
Non-Segment			
IOI Construction Sdn Bhd	70%	70%	Building, engineering and construction services
IOI Landscape Services Sdn Bhd	100%	100%	Landscape services, sale of ornamental plants and turfing grass
IOI Palm Products Sdn Bhd	100%	100%	Manufacturing and trading of oil palm related by-products
Resort Villa Development Sdn Bhd	100%	100%	Hotel and resort development
Resort Villa Golf Course Berhad	100%	100%	Golf and recreational club services
Resort Villa Golf Course Development Sdn Bhd	100%	100%	Hotel and hospitality services
IOI Corporation N. V. *	100%	-	Investment holding
<i>(Incorporated in the Netherlands, Antilles)</i>			
Swee Lam Estates (Malaya) Sdn Berhad	100%	100%	Investment holding
Jasasinar Multimedia Sdn Bhd	94%	94%	Inactive
<i>(formerly known as IOI-Multimedia Sdn Bhd)</i>			
Affinity Communications Sdn Bhd	100%	100%	Pre-operating
Focus Media Sdn Bhd	100%	100%	Pre-operating
IOI Management Sdn Bhd	100%	100%	Pre-operating
Kayangan Heights Sdn Bhd	60%	60%	Pre-operating
Perfect Format Sdn Bhd	100%	100%	Pre-operating
Tampoi Development Sdn Bhd	100%	100%	Pre-operating

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries			
Plantation			
Subsidiaries of Morisem Palm Oil Mill Sdn Bhd			
Meriteam Sdn Bhd *	100%	100%	Cultivation of oil palm
PR Enterprise Sdn Bhd *	100%	100%	Cultivation of oil palm
Priceland Sdn Bhd *	100%	100%	Cultivation of oil palm
Subsidiary of Future Growth Sdn Bhd			
Permodalan Plantations Sdn Bhd	70%	70%	Cultivation of oil palm
Subsidiaries of Ladang Sabah Holdings Sdn Bhd			
Ladang Sabah Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Terusan Baru Sdn Bhd	100%	100%	Cultivation of oil palm
Subsidiary of Morisem Consolidated Sdn Bhd			
Morisem Plantations Sdn Bhd *	100%	100%	Cultivation of oil palm
Subsidiary of Morisem Sdn Bhd			
Morisem (Sabah) Sdn Bhd *	100%	100%	Cultivation of oil palm
Subsidiaries of Syarimo Sdn Bhd			
Agroplex (Sabah) Sdn Bhd	100%	100%	Cultivation of oil palm
Bilprice Development Sdn Bhd	100%	100%	Cultivation of oil palm
Erat Manis Sdn Bhd	100%	100%	Cultivation of oil palm
Fastscope Development Sdn Bhd	100%	100%	Cultivation of soft wood timber
Hidayat Rakyat Sdn Bhd	100%	100%	Cultivation of oil palm
Hidayat Ria Sdn Bhd	100%	100%	Cultivation of oil palm
Kunimas Sdn Bhd	100%	-	Cultivation of oil palm
Lokoh Sdn Bhd	100%	100%	Cultivation of oil palm
Maxgrand Sdn Bhd	100%	100%	Cultivation of oil palm
Mewahandal Sdn Bhd	100%	100%	Cultivation of oil palm
Muara Julang Sdn Bhd	100%	100%	Cultivation of oil palm
Pricescore Enterprise Sdn Bhd	100%	100%	Cultivation of oil palm
Pujian Harum Sdn Bhd	100%	100%	Cultivation of oil palm
Syarikat Best Cocoa Sdn Bhd	100%	100%	Cultivation of oil palm
Unikhas Corporation Sdn Bhd	100%	100%	Cultivation of oil palm
Very Good Estate Sdn Bhd	100%	100%	Cultivation of oil palm

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries <small>cont'd</small>			
Subsidiaries of Palmco Holdings Berhad			
Palmco Plantations (Sabah) Sdn Bhd *	51%	59%	Cultivation of oil palm
Unipamol Malaysia Sdn Bhd *	51%	-	Investment holding
Subsidiaries of Unipamol Malaysia Sdn Bhd			
Pamol Bintang Sdn Bhd *	51%	-	Dormant
Pamol Plantations Sdn Bhd *	51%	-	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd *	36%	-	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd *	36%	-	Cultivation of oil palm
Property Development and Investment			
Subsidiary of Nice Skyline Sdn Bhd			
Jurang Teguh Sdn Bhd	60%	60%	Building, engineering and construction services
Subsidiaries of IOI Properties Berhad			
Cahaya Kota Development Sdn Bhd	65%	65%	Property development, property investment and investment holding
Flora Development Sdn Bhd	65%	65%	Property development
Kapar Realty And Development Sdn Berhad	44%	44%	Property development
Kumpulan Mayang Sdn Bhd	65%	65%	Property development
Pine Properties Sdn Bhd	65%	65%	Property development and property investment
Dynamic Management Sdn Bhd	65%	65%	Property development and investment holding
Commercial Wings Sdn Bhd	65%	65%	Property investment
Property Skyline Sdn Bhd *	59%	59%	Provision of management services and investment holding
Flora Horizon Sdn Bhd	65%	65%	Pre-operating
Pilihan Teraju Sdn Bhd	65%	65%	Pre-operating
Hartawan Development Sdn Bhd	65%	65%	Inactive
Jutawan Development Sdn Bhd	65%	65%	Inactive
Paduwan Development Sdn Bhd	65%	65%	Inactive
Paska Development Sdn Bhd	65%	65%	Inactive

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries cont'd			
Subsidiaries of Cahaya Kota Development Sdn Bhd			
IOI Building Services Sdn Bhd	65%	65%	Building maintenance services
Lush Development Sdn Bhd	65%	65%	Inactive
Riang Takzim Sdn Bhd	65%	65%	Inactive
Tanda Bestari Development Sdn Bhd	65%	-	Inactive
Subsidiaries of Dynamic Management Sdn Bhd			
Paksi Teguh Sdn Bhd	65%	65%	General contractors
Pilihan Megah Sdn Bhd	65%	65%	Property development, property investment and investment holding
Subsidiary of Pilihan Megah Sdn Bhd			
Future Link Properties Pte Ltd * (Incorporated in Singapore)	40%	40%	Property investment
Subsidiaries of Property Skyline Sdn Bhd			
Nice Frontier Sdn Bhd *	60%	60%	Property development, property investment and cultivation of oil palm
Property Village Berhad *	53%	53%	Property development, golf club and recreational services and investment holding
Subsidiary of Property Village Berhad			
Baycrest Sdn Bhd *	53%	53%	General contractors
Subsidiaries of Amoda Sdn Bhd			
Amoda Management Sdn Bhd	60%	60%	Property management services
Amoda Properties Sdn Bhd	60%	60%	Pre-operating
Subsidiary of Kean Ko Sdn Berhad			
Seremban Enterprise Corporation Sdn Berhad	58%	58%	Property development
Subsidiaries of Palmco Holdings Berhad			
Palmex Industries Sdn Berhad *	51%	59%	Property development and investment holding
Palmco Properties Sdn Bhd *	51%	59%	Property investment
PMX Bina Sdn Bhd * (Formerly known as Palmco Niaga Sdn Bhd)	51%	59%	General contractor

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries <small>cont'd</small>			
Resource-based Manufacturing Subsidiaries of IOI Edible Oils Sdn Bhd			
IOI Bio-Energy Sdn Bhd *	100%	100%	Produce and supply palm-based renewable energy generation using biomass
IOI Jeti Sdn Bhd *	100%	100%	Operation of jetty
IOI Speciality Fats Sdn Bhd *	100%	100%	Palm oil trading and refinery
Subsidiaries of Palmco Holdings Berhad			
Acidchem International Sdn Bhd *	51%	59%	Manufacturing of fatty acids and glycerine
Derichem (M) Sdn Bhd *	51%	59%	Manufacturing of soap noodles
Esterchem (M) Sdn Bhd *	51%	59%	Trading in esters
Stabichem (M) Sdn Bhd *	51%	59%	Manufacturing of metallic stearates
Palmco Oil Mill Sendirian Berhad *	51%	59%	Production of palm kernel oil and palm kernel cakes and trading in commodities
Subsidiaries of Lodars Croklaan Group B. V.			
Lodars Croklaan B. V. * <i>(Incorporated in the Netherlands)</i>	100%	-	Manufacturing of specialty oils and fats
Lodars Croklaan IOI Canada Inc. * <i>(Incorporated in Canada)</i>	100%	-	Manufacturing of specialty oils and fats
Lodars Croklaan USA B. V. * <i>(Incorporated in the Netherlands)</i>	100%	-	Investment holding
Lodars Croklaan For Oils S.A.E. Egypt * <i>(Incorporated in Egypt)</i>	100%	-	Production of emulsified raw materials and semi finished goods on oils and fats
Lodars Croklaan Malaysia Sdn Bhd <i>(Formerly known as Sim Intelligiport Sdn Bhd)</i>	100%	-	Inactive
Subsidiary of Lodars Croklaan USA B. V.			
Lodars Croklaan USA LLC * <i>(Incorporated in United States of America)</i>	100%	-	Manufacturing of specialty oils and fats
Subsidiary of Lodars Croklaan For Oils S. A. E. Egypt			
Lodars Croklaan Trading & Distribution LLC Egypt * <i>(Incorporated in Egypt)</i>	100%	-	Trading and marketing of food-based products

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries cont'd			
Non-Segment			
Subsidiaries of Palmco Holdings Berhad			
Palmco Jaya Sendirian Berhad *	51%	59%	Bulk cargo warehousing
Palmco Hotels Sdn Bhd *	51%	59%	Hotel and related activities
Palmco Management Services Sdn Bhd *	51%	59%	Management services and rental of storage tanks
Care Security Services Sdn Bhd *	51%	59%	Management of collection of service charges
Performance Chemicals (M) Sdn Bhd *	51%	59%	Dormant
Palmina Sendirian Berhad *	51%	59%	Dormant
Palmco Plantations Sendirian Berhad *	51%	59%	Dormant
Palmco Cocoa Sendirian Berhad *	51%	59%	Dormant
Direct Consolidated Sdn Bhd *	51%	59%	Dormant
Quantum Green Sdn Bhd *	51%	59%	Dormant
Acidchem (Sabah) Sdn Bhd *	51%	59%	Dormant
Subsidiary of Acidchem International Sdn Bhd			
Acidchem (USA) Inc *	51%	59%	Trading in fatty acids and glycerine
(Incorporated in United States of America)			
Subsidiary of Palmex Industries Sdn Berhad			
Palmco International (HK) Limited *	51%	59%	Investment holding
(Incorporated in Hong Kong)			
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited *	51%	59%	Investment holding
(Incorporated in Hong Kong)			
Acidchem (Singapore) Pte Ltd *	51%	59%	Dormant
(Incorporated in Singapore)			
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil & Fats Co Ltd *	51%	59%	Dormant
(Incorporated in People's Republic of China)			

notes to the financial statements cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2003	2002	
Indirect Subsidiaries <small>cont'd</small>			
Subsidiary of IOI Construction Sdn Bhd IOI Concrete Sdn Bhd	70%	70%	Inactive
Subsidiary of Kayangan Heights Sdn Bhd Common Portfolio Sdn Bhd	60%	60%	Pre-operating
Subsidiaries of Swee Lam Estates (Malaya) Sdn Bhd Swee Lam Development Sdn Bhd	100%	100%	Pre-operating
Swee Lam Properties Sdn Bhd	100%	100%	Pre-operating
* Subsidiaries not audited by BDO Binder			
Associates			
Kanzen Tetsu Sdn Bhd	–	30%	Manufacturing and distribution of stainless steel pipes
Perumahan Abadi Sdn Bhd	25%	25%	Inactive
Associate of Ladang Sabah Sdn Bhd Reka Halus Sdn Bhd	30%	30%	Cultivation of oil palm and processing of palm oil
Associate of Sakilan Desa Sdn Bhd Minat Teguh Sdn Bhd	–	27%	Cultivation of oil palm and processing of palm oil
Associate of IOI Properties Berhad Continental Estates Sdn Bhd	16%	16%	Property development and cultivation of oil palm
Associates of Palmco Holdings Berhad Fatty Chemical (Malaysia) Sdn Bhd	15%	18%	Manufacturing of fatty alcohol and methyl esters
Kao Plasticizer (Malaysia) Sdn Bhd	15%	18%	Manufacturing of plasticizer and other chemical products
Associate of Palmex Industries Sdn Berhad Malaysia Pakistan Venture Sdn Bhd	13%	15%	Investment holding

45 CHANGES IN ACCOUNTING POLICES AND PRIOR YEAR ADJUSTMENTS

45.1 Deferred taxation

During the financial year, the Group changed its accounting policy in respect of the provision of deferred taxation in compliance with the new MASB 25, Income Taxes. Prior to the adoption of MASB 25, deferred taxation was provided for on partial provision basis for timing differences using the income statement liability method in accordance with IAS 12, Accounting for Taxes on Income. With the adoption of MASB 25, deferred tax is now provided for in full using balance sheet liability method on temporary differences arising from tax bases of assets and liabilities and their carrying amounts.

The change in accounting policy, applied retrospectively, has the following impact on results as follows:

In RM'000

	Group		Company	
	2003	2002	2003	2002
Net profit before change in accounting policy	526,671	350,960	148,381	163,170
Effect of adopting MASB 25 (Note 9)	(24,619)	(4,459)	-	-
Net profit for the year	502,052	346,501	148,381	163,170

45.2 Recognition of gains or losses arising from deemed disposals

Gains or losses arising from deemed disposals upon issuance of new shares by subsidiaries to minority shareholders were previously deferred in capital reserve and to be realised in income statement when the Group's investments in subsidiaries are disposed. These gains or losses are now recognised in the income statement upon occurrence of deemed disposal provided that new shares are issued to minority shareholders for cash consideration and the issue prices have been established at fair value.

The change in accounting policy will result in a more appropriate presentation of the transactions in the financial statements and has been applied retrospectively. Except for the reclassification of RM34,003,000 of opening balance of capital reserve to retained profits, the change in accounting policy does not affect the result of the Group for the current financial year or other components of the financial statements.

45 CHANGES IN ACCOUNTING POLICES AND PRIOR YEAR ADJUSTMENTS cont'd

45.2 Recognition of gains or losses arising from deemed disposals cont'd

The effects of the change in the above accounting policies on the comparative figures are as follows:

GROUP

In RM'000

	As Previously Reported	Effect of Change in Policy	As Restated
Income Statement			
Operating profit	556,486	(1,191)	555,295
Earnings per share (sen)			
Basic	41.21	(0.52)	40.69
Diluted	38.63	(0.49)	38.14
Statement of Changes in Equity			
At 30.06.2001			
Retained profits	1,704,171	485	1,704,656
Reserve on consolidation	17,855	(9,628)	8,227
Capital reserve	45,190	(34,003)	11,187
At 30.06.2002			
Retained profits	1,973,138	(3,974)	1,969,164
Reserve on consolidation	16,529	(8,379)	8,150
Capital reserve	43,432	(34,003)	9,429
Balance Sheet			
Property, plant & equipment	2,671,783	(6,373)	2,665,410
Deferred tax assets	-	29,311	29,311
Goodwill on consolidation	163,629	15,999	179,628
Retained profits	1,973,138	(3,974)	1,969,164
Reserve on consolidation	16,529	(8,379)	8,150
Capital reserve	43,432	(34,003)	9,429
Minority interests	940,021	(11,685)	928,336
Deferred tax liabilities	115,253	96,978	212,231

46 COMPARATIVE FIGURES

The changes in comparative figures as a result of changes in accounting policies are stated in Note 45. In addition the comparative segmental information have been re-presented to conform with the requirements of MASB 22, Segment Reporting (Note 42).

47 AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2003 were authorised for issue by the Board of Directors on 2 September 2003.

statementbydirectors

In the opinion of the Directors, the financial statements set out in pages 128 to 226 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:

- i the state of affairs of the Group and of the Company as at 30 June 2003 and of their results for the financial year ended on that date; and
- ii the cash flows of the Group and of the Company for the financial year ended 30 June 2003.

On behalf of the Board,

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Yeo How
Executive Director

Puchong, Selangor Darul Ehsan
2 September 2003

statutorydeclaration

I, Dato' Yeo How, being the Director primarily responsible for the financial management of IOI Corporation Berhad, do solemnly and sincerely declare that the financial statements set out in pages 128 to 226 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared)	
by the abovenamed)	
at Puchong, Selangor Darul Ehsan)	Dato' Yeo How
this 2 September 2003)	

Before me

S. Nirmala Devi
Commissioner for Oaths
No. B076

report of the auditors to the members of IOI Corporation Berhad

We have audited the financial statements set out on pages 128 to 226. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - i the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - ii the state of affairs of the Group and of the Company as at 30 June 2003 and of their results and cash flows for the financial year then ended; and
- b the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 44 to the financial statements, being financial statements that are included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

BDO Binder
AF : 0206
Chartered Accountants

Tan Kim Leong, JP
125/06/05 (J/PH)
Partner

Kuala Lumpur
2 September 2003

A PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30.06.03 RM'000	Year of Acquisition/ Revaluation
Pahang Darul Makmur						
Bukit Dinding Estate, Bentong	Freehold	1,661	OP R	-	18,114	1983
Pukin Estate, Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,411	OP	M	42,673	1985
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,223	OP	-	20,029	1985
Detas Estate, Pekan	Leasehold expiring 2081	2,226	OP	-	26,957	1989
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,096	OP	M	24,918	1989
Merchong Estate, Pekan	Leasehold expiring 2075	1,953	OP	-	29,509	1990
Leepang A Estate, Rompin	Leasehold expiring 2065	2,404	OP	-	12,952	2000
Laukin A Estate, Rompin	Leasehold expiring 2065	1,620	OP	-	8,116	2000
Shahzan IOI Estate	Leasehold expiring 2061	3,210	OP	-	7,905	2002
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,303	OP R	-	41,989	1990
Bahau Estate, Kuala Pilah	Freehold	3,020	OP R	-	54,268	1990
Kuala Jelei Estate, Kuala Pilah	Freehold	678	OP	-	12,832	1990
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	3,678	OP	M	82,297	1990
Paya Lang Estate, Segamat	Freehold	1,420	OP	F	26,242	1990
Tambang Estate, Segamat	Freehold	1,983	OP	-	38,349	1990
Bukit Serampang Estate, Tangkak	Freehold	2,721	OP	-	47,451	1990
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	-	37,470	1990
Sagil Estate, Tangkak	Freehold	2,521	OP R	-	45,759	1990
Segamat Estate, Segamat	Freehold	2,107	OP R	-	37,129	1990
Pamol Plantation Estate, Kluang	Freehold	8,110	OP	M	273,999	2003

A PLANTATION ESTATES cont'd

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30.06.03 RM'000	Year of Acquisition/ Revaluation
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	-	27,639	1993
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2087	2,023	OP	-	27,260	1993
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	M	33,797	1993
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	-	25,153	1993
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	M	35,838	1993
Baturong Estates, Kunak	Leasehold expiring 2081	7,485	OP	M	65,502	1991
Ladang Halusah, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	-	82	1991
Syarimo 1 to 8 Estates, Kinabatangan	Leasehold expiring 2077- 2990	18,367	OP	M	213,273	1985-2000
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,093	OP	-	108,870	1995
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	-	30,028	1996
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	M	50,387	1996
Ladang Sabah, Labuk-Sugut	Leasehold expiring 2082, 2087, 2089	11,600	OP	M	246,497	1998
Ladang Cantawan, Lahad Datu	Leasehold expiring 2061, 2066, 2078, 2079, 2080	1,452	OP	-	32,099	1998
Ladang Tas, Kinabatangan	Leasehold expiring 2077	1,209	OP	-	29,115	1998
Tangulap Estate, Labuk-Sugut	Leasehold expiring 2080- 2086	2,277	OP	-	64,525	2001
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	-	75,470	2001
Pamol Plantation Estate, Labuk-Sugut	Leasehold expiring 2081, 2097	1,442	OP	-	17,103	2003
Pamol Estate, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	M	201,538	2003
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,269	OP	-	105,999	2003

B DEVELOPMENT PROPERTIES

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30.06.03 In RM'000	Year of Acquisition/ Revaluation
Bandar Puchong Jaya - Parcel A Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	164 hectares	6 hectares	On-going mix development project	6,084	1989
Bandar Puchong Jaya - Parcel B Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	210 hectares	40 hectares	On-going mix development project	91,218	1990
Bandar Puteri Lots 12, 356, 5452-5473, 5475-5490 Puchong, Petaling Selangor Darul Ehsan	Freehold	374 hectares	156 hectares	On-going mix development project	279,504	1994
IOI Resort Lot 3991 (part), Dengkil, Sepang Selangor Darul Ehsan	Freehold	37 hectares	18 hectares	Condominium and bungolow development	30,766	1990
Bandar Putra, Lot 5418 (part) Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	332 hectares	97 hectares	On-going mix development project	68,147	1988
Bandar Putra Lots 3787, 5418, 26737, 3783, 3785 Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,967 hectares	933 hectares	On-going mix development project	122,380	1988
				Labour lines, staff quarters, estate bungalows, stores	518	
Bandar Putra PTD 5746, 5747 & 5748, Segamat Johor Darul Takzim	Freehold	198 hectares	69 hectares	On-going mix development project	33,336	1990
Lot 2847, Grant 9051 (part) Tangkak, Muar Johor Darul Takzim	Freehold	43 hectares	43 hectares	Landscape and garden development	1,561	1990
Lot 2882, Grant 7920 Tangkak, Muar Johor Darul Takzim	Freehold	113 hectares	113 hectares	Homestead development	1,949	1990
Taman Bidara Seremban Negeri Sembilan Darul Khusus	Freehold	-	12,368 sq m	On-going mix development project	626	1985

B DEVELOPMENT PROPERTIES cont'd

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30.06.03 In RM'000	Year of Acquisition/ Revaluation
Lot 1758 (part of CT 2121) Mukim Gemencheh, Tampin Negeri Sembilan Darul Khusus	Freehold	16 hectares	4 hectares	On-going mix development project	2,899	1990
Lot 18485 Sg Buloh, Petaling Selangor Darul Ehsan	Freehold	-	3,962 sq m	Future development land	1,448	1980
Taman Klang Utama Various sub-divided lots in Kapar, Klang, Selangor Darul Ehsan	Freehold	-	2,525 sq m	Future development land	1,672	1991
Lots 2, 3, 177 & 179 Mukim Rompin, Jempol Negeri Sembilan Darul Khusus	Freehold	196 hectares	196 hectares	Future development land	5,846	1990
Lots 429, 432 & 434, Bukit Sebukor Bukit Baru, Melaka Tengah Melaka	Freehold	19 hectares	19 hectares	Future development land	12,754	1990
Grant 9051 (Part) Tangkak, Muar Johor Darul Takzim	Freehold	20 hectares	20 hectares	On-going mix development project	6,065	1990
Lot 369 (Part), Title 1063 Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	1,308	1990
Lot 3015 Grant 186 Mukim Sabai, Bentong Pahang Darul Makmur	Freehold	446 hectares	446 hectares	Future development land	12,848	1983
HSD 1426 PT No 4466 Mukim of Dengkil District of Sepang Selangor Darul Ehsan	Leasehold expiring 2091	196 hectares	196 hectares	Future development land	77,194	2001
Lot 3175 Town of Tanjung Tokong Seksyen 1, DTL Penang	Freehold	-	17,617 sq m	Future development land	7,663	2001
HSD 1431 PT No 4471 Mukim of Dengkil District of Sepang Selangor Darul Ehsan	Leasehold Expiring 2091	21 hectares	21 hectares	Future development land	10,665	2002

Net book value of the development properties are stated at Group land cost together with the related development expenditure incurred to the remaining unsold properties.

C INVESTMENT PROPERTIES

Location	Tenure	Land Area	Net Lettable Area	Usage	Age of Building (Year)	Net Book Value as at 30.06.03 In RM'000	Year of Acquisition/ Revaluation
Amoda Building 22 Jalan Imbi Kuala Lumpur	Freehold	3,151 sq m	16,825 sq m	21 storey office block with a 5 storey annexe	16	78,047	2003*
IOI Mall Bandar Puchong Jaya, Puchong Selangor Darul Ehsan	Freehold	66,521 sq m	57,907 sq m	3 storey shopping mall	7	150,610	2003*
IOI Business Park Bandar Puchong Jaya, Puchong Selangor Darul Ehsan	Freehold	38,849 sq m	8,146 sq m	55 units commercial lot	5	29,057	2003*
IOI Resort Putrajaya	Freehold	63,449 sq m	20,310 sq m	30 lots of residential bungalow	2-7	51,848	2003*
Mayang Plaza Jalan SS26/2, Taman Mayang Jaya Peteling Jaya Selangor Darul Ehsan	Freehold	11,573 sq m	12,575 sq m	4 storey commercial complex	7	19,733	2003*
IOI Plaza 210 Middle Road Singapore	Leasehold expiring 2095	2,600 sq m	8,740 sq m	12 storey office building	5	153,580	2003*
Flat 28 Marathon House 200 Marylebone Road London, NW1 5 PW	Leasehold expiring 2996	-	80 sq m	Residential apartment	5	1,999	1999
IOI Mall Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	43,482 sq m	22,880 sq m	3 storey shopping mall	2	49,369	2003*

* Year of revaluation

D INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2003 RM'000	Year of Acquisition/ Revaluation
Taman Klang Utama Lot 723 EMR 2244 Jalan Kapar, Kelang Selangor Darul Ehsan	Freehold	12,040 sq m	Industrial premises for rental	15	670	1992
27, Section 13, Jalan Kemajuan Petaling Jaya Selangor Darul Ehsan	Leasehold expiring 2059	8,336 sq m	Industrial premises for rental	-	5,324	1984
Country lease 075365632 075376279, 075469340 & 075376260 Sg Mowtas and Batu Sapi Sandakan Sabah	Leasehold expiring 2039, 2042, 2044	22 hectares	Palm oil refinery	6	75,588	1995
Plot 57 Mukim 1 Bukit Tegah Industrial Park Prai Penang	Leasehold expiring 2053	41,224 sq m	Vacant industrial land	-	2,898	2001
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035 to 2071	176,169 sq m	Offices and factory sites New factory site erected on existing land	24 2	57,528 10,134	2001
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2003	13,400 sq m	Bulk cargo terminal	29	182	2001
Deep Water Wharves 12100 Butterworth	Leasehold expiring 2015	5,200 sq m	Bulking installation	29	-	2001
Plot 1-2-4, A7-6 TEDA 300457 Tianjin People's Republic of China	Leasehold expiring 2024	34,375 sq m	Offices and factory sites	14	-	2001
Loders Croklaan Hogeweg 1, 1520 Wormerveer Netherlands	Freehold	-	Speciality oils and fats manufacturing facilities	12 - 33	62,848	2002
Durkee Road 24708 W Channahon IL, United States	Freehold	-	Speciality oils and fats manufacturing facilities	1 - 33	78,472	2002

E OTHER PROPERTIES

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2003 RM'000	Year of Acquisition/ Revaluation
Renaissance Palm Garden Hotel Lot 3991 (part), Dengkil, Sepang Selangor Darul Ehsan	Freehold	12,100 sq m	152-room hotel	7	19,821	1990
IOI Palm Garden Golf Course Lot 3991 (part), Dengkil, Sepang Selangor Darul Ehsan	Freehold	94 hectares	27-hole golf course and clubhouse	10	45,474	1990
Lot 17351-17355, Petaling Selangor Darul Ehsan	Freehold	1,376 sq m	IOI headoffice, 4 units 3.5 storey shopoffices	9	1,756	1994
HS (D) 45891 PT 9428 Mukim Petaling Selangor Darul Ehsan	Freehold	1,699 sq m	Petrol station land	-	9	1991
HS (D) 41529 PT 9411 Mukim Petaling Selangor Darul Ehsan	Freehold	2,690 sq m	Petrol station land	-	313	1993
HS (D) 125263 PT 17727 Mukim Petaling Selangor Darul Ehsan	Freehold	2,601 sq m	Petrol station land	-	112	1995
HS (D) 55058, PT 56477 Mukim of Klang Selangor Darul Ehsan	Freehold	3900 sq m	1.5 storey factory	7	401	1997
IOI Resort Lot 3991 (part), Dengkil, Sepang Selangor Darul Ehsan	Freehold	2 hectares	Hotel and commercial development	1	239,624	1990
Menara Luxor 15th Floor, No 6 Persiaran Tropicana 47410 Petaling Jaya Selangor Darul Ehsan	Leasehold expiring 2090	487 sq m	Office floor	7	1,380	1999
HSD 45890 PT 9427 Mukim Petaling Selangor Darul Ehsan	Leasehold expiring 2026	1,803 sq m	Petrol station land	-	10	1992
Lot 40476 & 40480 Daerah Wilayah Persekutuan Kuala Lumpur	Freehold	3,018 sq m	Bungalow plots	-	1,976	1992
No. 1, Lebuhr Putera Utara Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,041 sq m	Bandar Putra corporate office	6	1,377	1994

E OTHER PROPERTIES cont'd

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2003 RM'000	Year of Acquisition/ Revaluation
HS (D) 13605 PTD 4911 Mukim Sg Segamat Segamat Johor Darul Takzim	Leasehold expiring 2046	6930 sq m	Vacant industrial land	-	190	1986
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	96 hectares	27-hole golf course	-	18,420	1994
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	7 hectares	Clubhouse	2	7,548	1994
PT 3865, Pasir Ponyang Port Dickson Negeri Sembilan Darul Khusus	Freehold	917 sq m	Holiday bungalow	20	106	1990
Lot 8, Jalan Segama Lahad Datu Sabah	Leasehold expiring 2894	112 sq m	Shoplot	10	156	1993
Lot 15, 16 & 17 Tengah Nipah Road Lahad Datu Sabah	Leasehold expiring 2894	2,280 sq m	Semi- detached house and staff apartments	17	1,180	1993
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	2	708	1993
Country lease 115325534 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2914	2 hectares	Warehouse	-	1,624	1993
Country lease 115325543, 116179269 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2057, 2914	5 hectares	Warehouse	-	2,900	1993
Lot 288C Mukim 12 South-West District Sg Ara Estate, Desaria Penang	Freehold	131 sq m	Shoplot	8	320	2001
Batu Ferringi 11100 Penang	Freehold	20,700 sq m	180-room hotel	28	49,241	2001
Lot 8165 Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq m	Vacant commercial land	-	150	2001

shareholdersinformation as at 2 September 2003

Type of shares : Ordinary shares of RM0.50 each

Voting rights : One vote per shareholder on a show of hands
One vote per ordinary share on a poll

Number of shareholders : 12,615

ANALYSIS OF SHAREHOLDINGS

Size of Holdings

	No. of Holders	Total Holdings	%
1-99	97	2,802	0.00
100-1,000	4,354	4,040,680	0.39
1,001-10,000	6,462	26,269,863	2.51
10,001-100,000	1,243	38,405,990	3.67
100,001-52,324,333	455	598,538,101	57.19
52,324,333 and above	4	379,229,249	36.24
Total	12,615	1,046,486,685	100.00

LIST OF TOP 30 SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same person)

Name

	No. of Shares Held	%
1 Progressive Holdings Sdn Bhd	119,053,549	11.38
2 RHB Capital Nominees (Tempatan) Sdn Bhd	93,000,000	8.89
Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd		
3 Mayban Nominees (Tempatan) Sdn Bhd	61,000,000	5.83
Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd		
4 Employees Provident Fund Board	54,350,300	5.19
5 Progressive Holdings Sdn Bhd	51,825,400	4.95
6 HSBC Nominees (Asing) Sdn Bhd	31,610,300	3.02
Qualifier: Emerging Markets Growth Fund		
7 Malaysia Nominees (Tempatan) Sendirian Berhad	23,185,030	2.22
Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)		
8 Cartaban Nominees (Asing) Sdn Bhd	20,000,000	1.91
Qualifier: SSBT Fund HG22 for Smallcap World Fund, Inc.		
9 Annhow Holdings Sdn Bhd	17,286,500	1.65
10 Citicorp Nominees (Asing) Sdn Bhd	15,500,000	1.48
Qualifier: CB LDN for First State Asia Pacific Fund		
11 Desa Mayang Sdn Bhd	13,602,380	1.30
12 Cartaban Nominees (Asing) Sdn Bhd	13,079,000	1.25
Qualifier: Credit Suisse Singapore for Crystal Palace Investments Limited		
13 DB (Malaysia) Nominee (Asing) Sdn Bhd	10,242,000	0.98
Qualifier: UBS AG Singapore for Westmead Holdings Limited		
14 Mayban Nominees (Tempatan) Sdn Bhd	10,000,000	0.96
Qualifier: Pledged Securities Account for Desa Mayang Sdn Bhd		
15 Mayban Nominees (Tempatan) Sdn Bhd	10,000,000	0.96
Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd		
16 Cartaban Nominees (Asing) Sdn Bhd	10,000,000	0.96
Qualifier: Credit Suisse Singapore for Happy Palace Investments Limited		

LIST OF TOP 30 SHAREHOLDERS cont'd

Name

	No. of Shares Held	%
17 HSBC Nominees (Asing) Sdn Bhd Qualifier: Abu Dhabi Investment Authority	9,638,233	0.92
18 Valuecap Sdn Bhd	8,314,400	0.79
19 HSBC Nominees (Asing) Sdn Bhd Qualifier: Capital International Emerging Markets Investment Fund	8,223,400	0.79
20 Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Public Growth Fund	8,073,000	0.77
21 HSBC Nominees (Asing) Sdn Bhd Qualifier: BOB HK for The Overlook Partners Fund L P	7,667,000	0.73
22 Cartaban Nominees (Asing) Sdn Bhd Qualifier: Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	7,344,500	0.70
23 Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Sekim Amanah Saham Nasional	7,271,400	0.69
24 RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd	7,000,000	0.67
25 HSBC Nominees (Asing) Sdn Bhd Qualifier: Stichting Pensioenfond Abp.	6,772,000	0.65
26 Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Annhow Holdings Sdn Bhd	6,250,000	0.60
27 Citicorp Nominees (Asing) Sdn Bhd Qualifier: Royal Bank of Scotland as Depository for First State Global Emerging Markets Fund	6,250,000	0.60
28 HSBC Nominees (Asing) Sdn Bhd Qualifier: BNY Brussels for The State Teachers Retirement System of Ohio (Ivory)	6,172,000	0.59
29 DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier: UBS AG Singapore for Narisa Heights Investments Limited	6,000,000	0.57
30 Tan Sri Dato' Lee Shin Cheng	5,949,051	0.57
Total	654,659,443	62.57

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Shareholders

	No. of Shares Held			
	Direct	%	Indirect	%
1 Tan Sri Dato' Lee Shin Cheng	5,949,051	0.57	374,674,329*	35.80
2 Puan Sri Datin Hoong May Kuan	-	-	380,623,380**	36.37
3 Dato' Lee Yeow Chor	448,000	0.04	346,878,949***	33.15
4 Progressive Holdings Sdn Bhd	346,878,949	33.15	-	-
5 The Capital Group Companies, Inc	-	-	67,350,996****	6.44
6 Employees Provident Fund Board	59,926,800	5.73	-	-

* Indirect shareholding includes the shares held by Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd and his son, Dato' Lee Yeow Chor.

** Indirect shareholding includes the shares held by Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd, her spouse Tan Sri Dato' Lee Shin Cheng and her son Dato' Lee Yeow Chor.

*** Indirect shareholding includes the shares held by Progressive Holdings Sdn Bhd by virtue of his substantial shareholdings in Progressive Holdings Sdn Bhd.

**** Shares held under various fund institutions.

proxyform

I/We _____ (Please use block letters)

of _____

being a member(s) of **IOI Corporation Berhad**, hereby appoint _____

of _____

and/or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at Putrajaya I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Tuesday, 21 October 2003 at 11.00 a.m. or any adjournment thereof.

My proxy shall vote as follows:

Resolutions

	For	Against
1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2003 and the Reports of the Directors and Auditors thereon		
2 To re-elect Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor as a Director		
3 To re-elect Mr Lee Cheng Leang as a Director		
4 To re-appoint Mr Chan Fong Ann pursuant to Section 129 of the Companies Act, 1965		
5 To approve Directors' Fees		
6 To re-appoint BDO Binder as Auditors and to authorise the Directors to fix their remuneration		
7 To authorise the Directors to allot and issue shares pursuant to Executive Share Option Scheme		
8 To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
9 To approve the proposed renewal of existing share buy-back authority		
10 To approve the proposed renewal of shareholders' mandate for recurrent related party transactions		

(Please indicate with an "X" or "✓" in the space provided as to how you wish your votes to be cast.)

The proportion of my/our holding to be represented by my/our proxy/proxies are as follows:

First proxy :	%	Dated this	day of	2003
Second proxy :	%			
	100%			

No. of Shares Held	Signature of Shareholder
--------------------	--------------------------

Notes

- A member may appoint any person to be his proxy and the provisions of section 149(1)(b) of the Act shall not apply to the Company.
- An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- If a member appoints two proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
- An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
- An instrument appointing a proxy must be deposited at the Company's registered office at No.7-10, Jalan Kenari 5, Bandar Puchong Jaya, Off Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

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IOI Corporation Berhad
No. 7-10 Jalan Kenari 5
Bandar Puchong Jaya
Off Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

stamp

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