

GLOBALITY

IOI is one of the largest integrated palm oil producers in the world. Our palm oil business encompasses plantations, mills, refineries, and the downstream specialty fats and oleochemical operations of Loders Crocklaan and IOI Oleochemical Industries Berhad.

The demand for palm oil is global. Having a worldwide presence in key markets of choice brings us closer to our customers, enhances supply chain efficiencies, and enables us to be more responsive.

Our global reach is matched by global calibre. In all our operations, we practise international standards of best practices and performance.

OUR VISION

... 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.

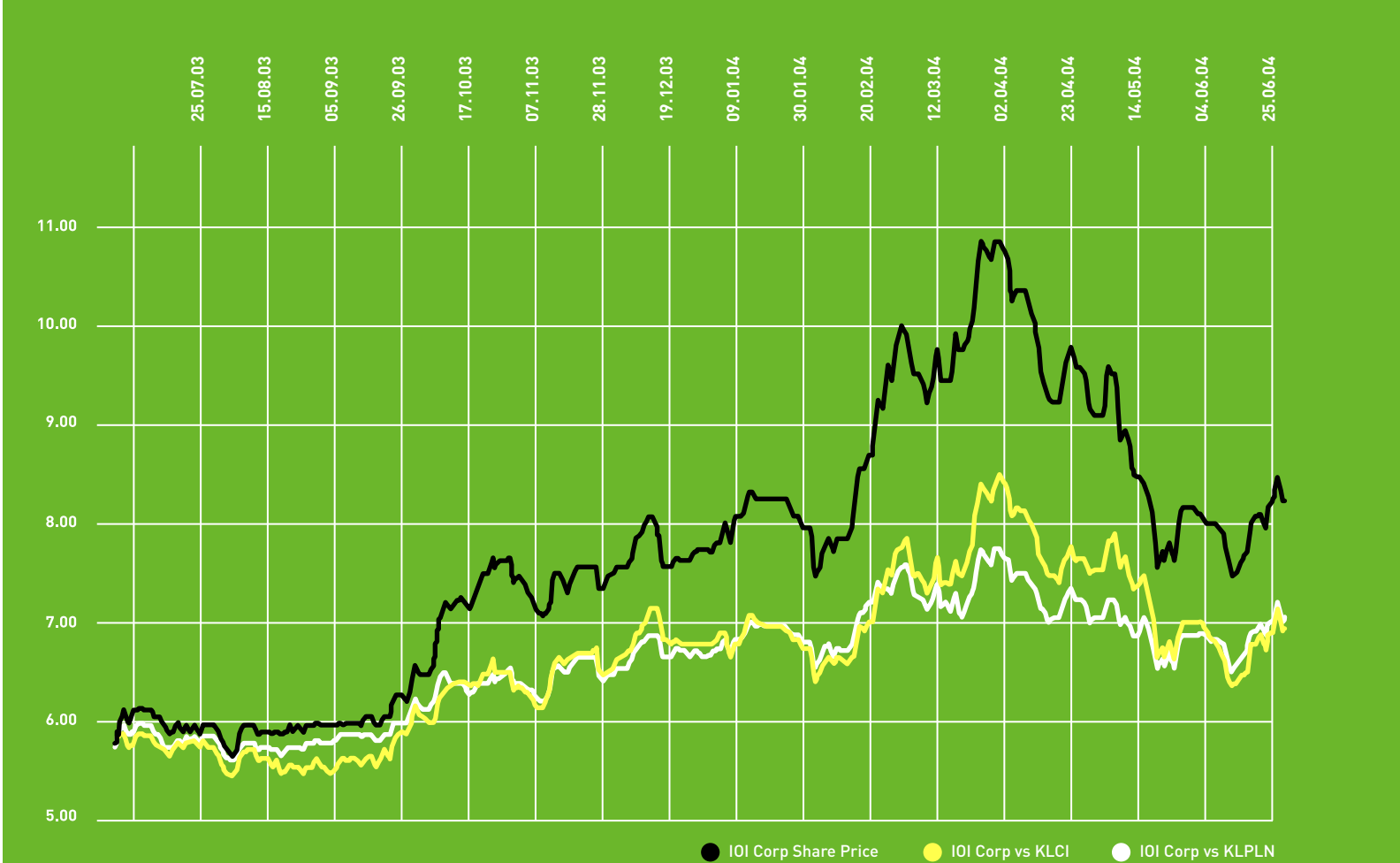
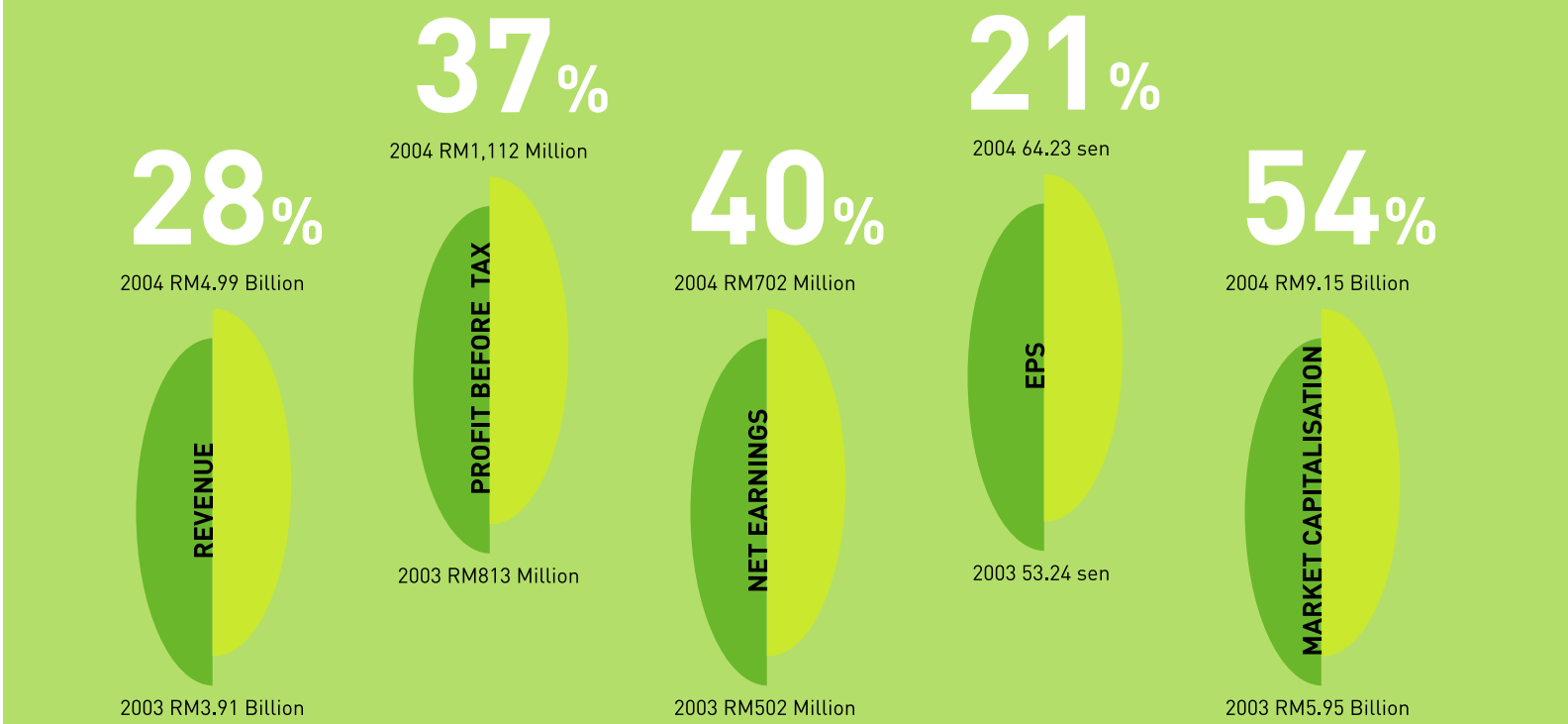
We shall strive to achieve responsible and balanced commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, having mutually beneficial relationship with our business associates, participating and contributing effectively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

OUR KEY STRATEGIES

- 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					
	2004	2003	2002	2001	2000
FINANCIAL					
Profit before taxation (RM'000)	1,112,045	812,626	569,311	456,744	501,647
Net profit attributable to shareholders (RM'000)	701,550	502,052	346,501	286,669	303,033
Shareholders' equity (RM'000)	4,418,152	3,530,192	2,891,919	2,494,974	2,254,090
Return on average equity (%)	17.65	15.64	12.86	12.07	14.17
Basic earnings per share (sen)	64.23	53.24	40.69	34.09	35.96
Gross dividend per share (%)	50.0	40.0	30.0	25.0	20.0
PLANTATION					
FFB production (MT)	2,927,194	2,396,231	1,920,692	1,926,808	1,565,807
Total oil palm area (HA)	145,060	124,203	98,864	87,605	86,151
PROPERTY					
Sales value (RM'000)	669,426	428,897	483,522	435,965	372,137
Sales (unit)	2,880	1,963	2,090	3,564	2,417
OLEOCHEMICAL					
Plant utilisation (%)	92	88	95	97	89
Sales (MT)	327,510	291,234	221,889	219,205	211,400

OUR RESULTS



CONTENTS

Chairman's Statement	002
Group Financial Overview	012
Group Performance Highlights	014
Group Quarterly Results	015
Financial Calendar	015
Five-Year Financial Highlights	016
Management's Discussion and Analysis	
• Group Financial Review	019
• Group Business Review	027
Corporate Information	050
Board of Directors	051
Profile of Directors	053
Audit Committee Report	058
Corporate Governance	063
Statement on Internal Control	070
Statement of Directors' Interests	073
Other Information	074
Senior Management Team	080
Group Business Structure	081
Global Presence	082
Location of Operations in Malaysia	084
Corporate Calendar	086
Social Contributions	088
Financial Statements	091
Group Properties	199
Annual General Meeting Information	
• Notice of Annual General Meeting	211
• Statement Accompanying Notice of Annual General Meeting ...	216
Shareholders Information	217
Proxy Form	

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of my colleagues on the Board of IOI Corporation Berhad, it gives me great pleasure to present to you the Annual Report and Financial Statements of the Company and the Group for the financial year ended 30 June 2004.

TAN SRI DATO' LEE SHIN CHENG
EXECUTIVE CHAIRMAN

HIGHLIGHTS

2004 was another record year for your Company and the Group in which several new milestones were set.

- Group pretax earnings grew by 37% to RM1.11 billion, the first time Group pretax has passed the RM1.0 billion mark.
- Group net earnings attributable to shareholders increased by 40% from RM502.1 million to RM701.6 million, another record high.
- Earnings per share were up 27% to 64.02 sen.
- Group revenue increased by 28% to RM4.99 billion.
- Group net cashflow generated from operations for FY 2004 was RM976.9 million, a 26% increase.
- IOI Properties Berhad, the 67% owned, listed property subsidiary passed the RM300 million mark to achieve its highest ever pretax profit level at RM326.2 million, a 36% increase over FY 2003. Its net earnings for the year was RM228.2 million, a 29% increase.
- IOI Oleochemical Industries Berhad ("IOI Oleo"), the 60% owned, listed oleochemical subsidiary, achieved a 35% growth in pretax profit and 28% growth in net earnings for FY 2004. It was also another milestone year for IOI Oleo, with pretax profit surpassing the RM200 million mark for the first time.



This set of results for the Group in respect of FY 2004 was delivered by:

- Growing our business through acquisitions when good opportunities arise and by consistently reinvesting for future growth.
- Our relentless pursuit of continuous improvement in productivity and cost efficiencies.
- Our ability to create greater value for the integrated whole than the sum total of the upstream and downstream segments of our palm oil business.
- Our ability to stay on top of ever changing market conditions.
- A strong culture within the Group to continuously strive for better performances; and of course,
- Favourable operating conditions.

CHAIRMAN'S STATEMENT

cont'd

OPERATING BACKGROUND

The Malaysian economy strengthened from quarter to quarter throughout the financial year under review.

Pro-active fiscal and monetary measures implemented by the government in response to unfavourable external environment in the first half of year 2003 has enabled the economy to benefit from the improving environment in the second half of 2003. GDP growth accelerated to 6.6% in the final quarter of 2003, up from 5.2% in the third quarter on the back of an improving world economy, higher manufacturing export contribution, sustained commodities prices and an all time low interest rate environment. The favourable economic fundamentals lift consumer sentiments and stimulated demands for automobiles, housing and other consumer goods with the residential housing projects in choice locations registered significantly higher demand.



The improved stock market and strong mandate obtained by the Barisan National government in the general election further boosted confidence and sentiments to provide added growth momentum in the first half of year 2004 with GDP expanding to 7.6% in the 1Q of 2004. With growth registered in almost all the sectors and particularly strong contribution from the manufacturing and services sectors, the economy continued its up-trend in 2Q of 2004 to achieve a commendable 8% growth despite the presence of a number of external uncertainties.

The favourable domestic environment enabled the Group to achieve a record level of sales for our housing business and to enjoy low interest costs for the borrowings we took on to fund recent acquisitions and capital expansions. Meanwhile, on the commodity front, palm oil prices further recovered on the back of supply side constraints experienced by competing vegetable oil.

The healthy economic environment coupled with commendable efforts from our people at all levels enabled the Group to register another set of sterling performance for the financial year under review.

REVIEW OF RESULTS

The Group achieved an operating profit ("EBIT") of RM1.16 billion for the financial year under review, a 33% growth over the previous year on the back of good performances from all the three core business segments.

The plantation segment's operating profit increased to RM638.7 million for FY 2004, up from RM543.4 million for the previous year due to higher CPO prices and higher production volume contributed by recent acquisitions.

For the property segment, it contributed RM336.8 million to Group operating profit for the current financial year, up 32% from RM255.2 million the previous year, benefiting from an improving economy and a buoyant property market. Increases in sales were experienced for all types of properties launched.



On the resource-based manufacturing segment, operating profit contribution from this segment registered a 51% growth to RM186.2 million, up from RM123.5 for FY 2003 despite higher palm oil prices. The substantial improvement is attributable to volume growth, improved cost efficiencies, raw material price hedging and improved results from specialty fats business unit acquired in the previous financial year.

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 higher earnings, your Board has declared higher dividends for the financial year ended 30 June 2004 to reward all the shareholders of the Company. Dividend declared for this year totalled 50% gross on par value, 10% higher than the previous year.

CHAIRMAN'S STATEMENT

cont'd

DIVIDENDS cont'd

The first interim dividend for the current financial year of 24% (FY 2003 - 20%) less tax was paid to shareholders on 19 March 2004. On 16 August 2004, the Board declared a second interim dividend of 26% (FY 2003 - 20% tax exempt) payable to entitled shareholders on 20 September 2004. The two interim dividends will result in a total dividend pay-out of RM202.5 million for FY 2004, up from RM179.6 million for the previous year.

GROWTH STRATEGIES & RECENT CORPORATE DEVELOPMENTS

As elaborated in our 2003 Annual Report, IOI has, from a localised oil palm plantation entity evolved and grown into a global, integrated palm oil group. The significant acquisitions that we made in recent years as well as capacity expansions in existing operations have substantially enlarged our income generating capacity. More importantly, these initiatives have provided us the economies of scale, a global outreach with geographical diversification (and immediate access) into quality markets, a wealth of technical expertise and experience in oils and fats technology, synergistic advantages and better risk management opportunities. These factors provide us with considerable advantages to position ourselves as a preferred supplier to our global customers and to enable us to be more competitive in an evolving and challenging global market.



Although the results of Loders Croklaan for the first twelve months were below expectation as a result of difficult market conditions, the unit came through leaner, better re-organised and with performance picking up again. The integration of Loders Croklaan into the global palm business of IOI has been successful thus far and I am pleased to report that through its technical expertise and market standing, Loders Croklaan has been at the vanguard of promoting a palm oil base application solution for trans fatty acid (TFA)-free, food production in the USA.

We are in the process of putting the following pieces together to further enhance supply chain efficiencies as well as to cross-leverage between our plantation, refinery, oleochemicals and specialty fats business for greater synergy:

- The just completed acquisition of Soctek, a Malaysian specialty fats producer and refinery based in Pasir Gudang, to provide Loders Croklaan a cost competitive base for its Asian market penetration and platform for technology transfer to Malaysia.

GROWTH STRATEGIES & RECENT CORPORATE DEVELOPMENTS cont'd

- PKO fractionation facilities in Malaysia as supply source for the specialty fats business of Lodders Croklaan and the oleochemical business of IOI Oleo, with the two units complementing each other in using different fractions from same source.
- A 700,000 MT per annum palm oil refinery at the deep water end of Rotterdam, to be completed by Dec 2005 which will provide the Group with substantial market share in the EU palm oil market. This leverages on Lodders Croklaan but at the same time, also provides Lodders Croklaan with a distinctly advantageous supply chain, as part of the proposed refinery's output goes into its specialty fats processing requirement.
- Besides the aforesaid downstream segments of our palm oil business, we have also made significant investments in the plantation segment, which remains the biggest business segment of the Group. The acquisition of the five Sabah plantation companies with a combined hectareage of 21,722 hectares and a palm oil mill which was proposed last year, was completed in November 2003, (i.e. FY 2004) at a total acquisition cost of RM592.9 million. This acquisition increased the Group's oil palm holding by another 17% to 145,060 hectares, reinforcing our position as a leading palm oil producer. Yields from these newly acquired estates are expected to further improve as their palms are relatively young.



During the financial year, a rationalisation exercise to streamline the Group's property investment activities by parking it under the Group's listed property arm, IOI Properties Berhad ("IOIP"), was announced. The proposal involved the transfer of two direct subsidiaries of the Company, Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd which are the owners of hotel properties and office blocks to IOIP. The proposal, which is subject to the approval of the shareholders of the Company and IOIP will tidy up the business lines within the Group whilst providing IOIP the opportunity to better utilise its cash reserves to enlarge its property investment portfolio to supplement its development income stream. At the same time, the Company will continue to enjoy the earnings contribution from these properties as the Company's shareholdings in IOIP will increase from approximately 67% to 69%. Further details will be provided to shareholders by separate circular in due course.

Subsequent to the financial year end, the Company announced the incorporation of IOI Investment (L) Berhad, a special purpose vehicle company to issue up to USD345 million nominal value of Exchangeable bonds. The proceeds from the proposed bond issue will be utilised to repay some of the Group's bank borrowings, to fund the expansion of the Group's operations and to finance any potential acquisitions as well as for working capital purpose and return on equity management. The bonds, which are expected to be issued at very attractive rates to the Company, will provide the Company an excellent strategic option to risk manage its interest rate exposure as well as to take on any good investment opportunities that may arise.

CHAIRMAN'S STATEMENT

cont'd

HUMAN RESOURCES

For the year under review, the Group continued to give special focus on enhancing the job competencies, skill-sets and development potential of its human resources, particularly in critical positions which demand a high level of job expertise, individual commitment and rigorous experience. Given further consolidation in the labour market, more emphasis was directed at staff retention strategies and creating better optimisation of people-related technologies for greater work flexibility, faster service delivery and effective business integration of the various operations.

In-house training seminars and development workshops continued to play a major role in transforming and reinforcing our corporate culture of excellence, strong work ethics and personal integrity. Key executives and managers were also identified and despatched for external training courses and management development programs to cross-fertilize their technical know-how and exposure to the latest innovations and concepts in their respective fields. At the senior management and directorate level, continuing educational enhancement programs touching on corporate governance, fiduciary management and effective budgetary guidelines and financial controls featured strongly in the Group's senior level development agenda and goals for the year.



CORPORATE SOCIAL RESPONSIBILITIES

Corporate Social Responsibilities continued to occupy a strategic place in the Group's calendar of events for 2004. The IOI-funded foundation, Yayasan Tan Sri Dato' Lee Shin Cheng helps to motivate many poor but academically brilliant aspirants' faith and hope of achieving their life-long ambitions of becoming useful university graduates by sponsoring their education through scholarships and educational grants.

The Yayasan's Young Achievers Awards continued to foster and nurture academic excellence amongst the rural youngsters at an early age by giving out cash incentives to the super-achievers at primary, secondary and post-secondary levels. Through such educational upliftment and rural support programs, the Yayasan hopes to emphasise the importance of a good and solid foundation in education for the rural poor in their bid to upgrade themselves to a higher socio-economic level.

CORPORATE SOCIAL RESPONSIBILITIES cont'd

Financial assistance and medical aid were also channelled to needy patients suffering from severe terminal or critical diseases. In addition, the Yayasan also provided financial assistance to many charitable organisations involved with social development, medical welfare and social care for the poor, needy and infirmed in support of their noble causes and contributions to society.

PROSPECTS

Our plantation business should continue to enjoy earnings growth for FY 2005. The plantation operation is expected to benefit from improving yields and from the follow through effect of the Sabah acquisition completed in November 2003 as mentioned earlier. Consequently, production volume is expected to increase by at least 15% over FY 2004 which would also mean lower unit production cost. Meantime, prices for FY 2005 are not expected to average below FY 2004 levels.

The downstream manufacturing segment is not likely to have the benefit of lower palm oil prices but should still enjoy growth from volume growth and improving market conditions.



On the property front, whilst growth rate will likely moderate as a result of increasing supply, demand remains robust, underpinned by a favourable domestic economic outlook, low interest rates and good liquidity.

Thus, barring unforeseen circumstances, your Board is confident about delivering yet another record level of profit for the Group this year.

In the medium term, I am confident that we will reap significant benefits from our investments and our on-going efforts in enlarging and integrating our downstream manufacturing operations. This segment should provide a new frontier for growth as well as a stabilisation for the Group's palm oil business. Recent initiatives taken put us in a very favourable position to soundly manage market risks and, at the same time, seize opportunities that may arise. We will continue to focus on generating growth and improving returns for shareholders.

CHAIRMAN'S STATEMENT

cont'd

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the management team and all members of the IOI family for their unstinting efforts and personal sacrifices. The sterling performances of the Group throughout the years are the result of a concerted effort and contribution of the whole IOI team whose appetite for further success and desire for continuous improvement is still very much evident.

To our valued customers and business partners, our heartfelt thanks for their support and loyalty without which our success will not be possible and we look forward to their continuing trust and confidence. I would also like to extend my gratitude to the relevant government authorities for their assistance and support and my sincere gratitude and personal thanks 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



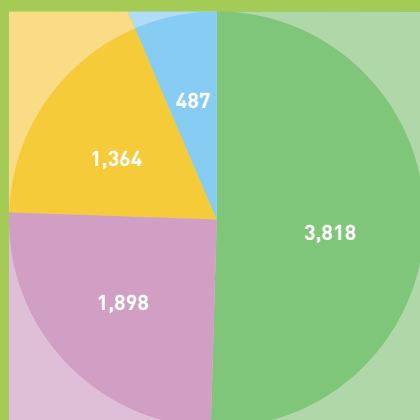


Throughout the year, our commitment to fulfilling our social responsibilities continued to be a priority for IOI Corporation. One example was the focus on bettering the lot of our plantation workers – and especially the children, who represent the future of our nation. We believe that it is both a duty and a privilege to provide children with a good education so that they will be equipped to carry on the work of developing a happy and prosperous Malaysia.

SOCIAL COMMITMENT

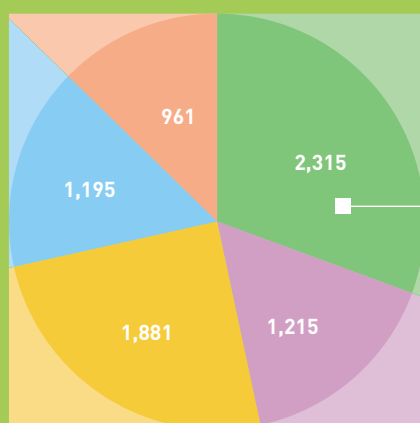
GROUP FINANCIAL OVERVIEW

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)



Shareholders' Equity and Liabilities

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

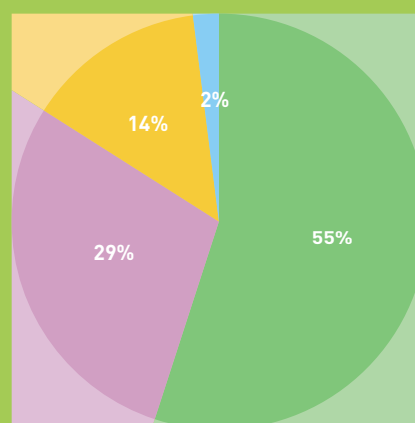
Net borrowings = (b) – (a) = RM1,394 million

Net gearing = 39.5%

Cash Flow for The Financial Year Ended 30 June 2004 (RM'Million)

Net operating cash flow	977
Capital expenditure, net of disposal	(123)
Free cash flow from operation	854
Proceeds from shares issued	56
Interest & dividend income and proceeds from disposal of investments, net of payments for other investments	69
Acquisition of interest in Sabah estates, net of cash balances and borrowings	(272)
Acquisition of additional share in subsidiaries	(151)
Share repurchases	(44)
Interest payments	(63)
Dividend payments	
– Shareholders of the Company	(202)
– Shareholders of subsidiaries	(67)
Investment in development land bank	(81)
Net increase in net borrowings	99
Net borrowings as at 30.06.03	(1,394)
Translation difference	(60)
Net borrowings as at 30.06.04	(1,355)

Segmental Contributions To Operating Profit (RM'Million)

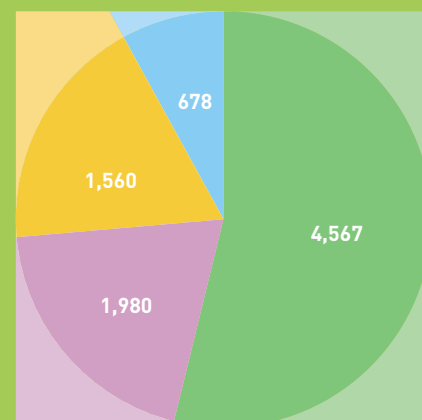


Plantations	631	/ 55%
Property	337	/ 29%
Resource-based Manufacturing	156	/ 14%
Others	23	/ 2%
	1,147	/100%

Retained Profit for The Financial Year Ended 30 June 2004 (RM' Million)

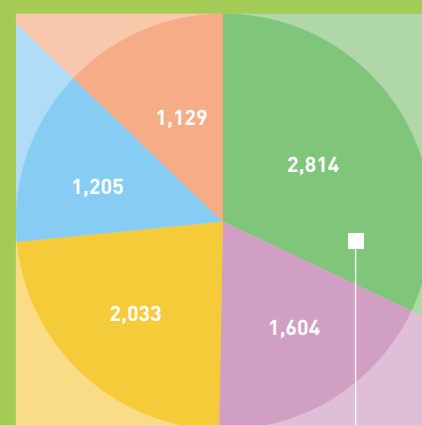
Segmental results	1,147
Unallocataed corporate expenses	(28)
Operating profit	1,119
Net interest expenses	(44)
Share of profit of associates	37
Profit before taxation	1,112
Taxation	(221)
Profit after taxation	891
Minority interests	(190)
Net profit for the financial year	701
Dividends paid	(202)
Retained profit for the financial year	499
Retained profits as at 30.06.03	2,315
Retained profits as at 30.06.04	2,814

Balance Sheet As At 30 June 2004 (RM' Million)



Assets

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



Shareholders' Equity and Liabilities

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

■ Net borrowings = (b) – (a) = RM1,355 million
Net gearing = 30.7%

GROUP PERFORMANCE HIGHLIGHTS

	2004 RM'000	2003 RM'000	% +/(−)
FINANCIAL PERFORMANCE			
Revenue	4,993,454	3,907,871	28
Profit before interest and taxation	1,118,815	826,634	35
Profit before taxation	1,112,045	812,626	37
Net operating profit after taxation ("NOPAT")	953,635	721,885	32
Net profit attributable to shareholders	701,550	502,052	40
Average shareholders' equity	3,974,172	3,211,056	24
Average capital employed	7,601,306	6,098,118	25
Operating margin (%)	22.41	21.15	6
Return on average equity (%)	17.65	15.64	13
NOPAT/Average capital employed (%)	12.55	11.84	6
Basic earnings per share (sen)	64.23	53.24	21
Dividend per share - gross (sen)	25.0	20.0	25
Net tangible assets per share (sen)	358	302	18
Dividend cover (number of times)	3.46	2.80	24
Interest cover (number of times)	12.72	7.95	63
PLANTATION PERFORMANCE			
FFB production (MT)	2,927,194	2,396,231	22
Yield per mature hectare (MT)	23.91	25.10	(5)
Mill production (MT)			
- Crude palm oil	677,319	597,513	13
- Palm kernel	157,243	143,307	10
Extraction rate (%)			
- Crude palm oil	21.54	21.82	(1)
- Palm kernel	5.00	5.23	(4)
Average selling price (RM/MT)			
- Crude palm oil	1,575	1,461	8
- Palm kernel	794	711	12
Operating profit (RM/mature hectare)	5,300	5,576	(5)
PROPERTY PERFORMANCE			
Sales value	669,426	428,897	56
Sales (unit)	2,880	1,963	47
Average selling price	232	218	6
Revenue	685,189	509,857	34
Operating profit	315,487	241,907	30
Progress billings	649,337	418,735	55
OLEOCHEMICAL PERFORMANCE			
Plant utilisation (%)	92	88	3
Sales (MT)	327,510	291,234	5

GROUP QUARTERLY RESULTS

FY 2004	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER		FULL YEAR	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue	1,274,116	26	1,389,174	28	1,107,866	22	1,222,298	24	4,993,454	100
Operating profit	256,113	23	278,763	25	252,899	22	331,040	30	1,118,815	100
Interest income	2,577	17	4,428	28	3,217	21	5,280	34	15,502	100
Finance cost	(15,135)	25	(13,944)	23	(16,760)	28	(14,012)	24	(59,851)	100
Share of results of associates	9,715	26	11,509	31	8,453	22	7,902	21	37,579	100
Profit before taxation	253,270	23	280,756	25	247,809	22	330,210	30	1,112,045	100
Taxation	(51,416)	23	(56,667)	26	(55,841)	25	(56,505)	26	(220,429)	100
Profit after taxation	201,854	23	224,089	25	191,968	21	273,705	31	891,616	100
Minority interests	(44,418)	23	(48,744)	26	(41,757)	22	(55,147)	29	(190,066)	100
Net profit attributable to shareholders	157,436	23	175,345	25	150,211	21	218,558	31	701,550	100
Earnings per share (sen)										
- Basic	15.07		16.35		13.36		19.38		63.24	
- Diluted	15.02		16.29		13.32		19.35		60.49	
Operating profit on segmental basis										
Plantations	162,999	26	201,925	32	118,942	19	147,220	23	631,086	100
Property development	60,851	19	63,447	20	79,429	25	111,760	36	315,487	100
Property investment	4,780	22	5,303	25	5,912	28	5,341	25	21,336	100
Manufacturing	32,431	21	33,386	21	35,522	23	55,022	35	156,361	100
Others	3,847	17	4,388	19	4,959	22	9,693	42	22,887	100
Segment results	264,908	23	308,449	27	244,764	21	329,036	29	1,147,157	100
Unallocated corporate expenses	(8,795)	31	(29,686)	105	8,135	-29	2,004	-7	(28,342)	100
Operating profit	256,113	23	278,763	25	252,899	22	331,040	30	1,118,815	100

FINANCIAL CALENDAR

Financial Year End	30 June 2004	Payment of Dividends	
Announcement of Results		First Interim	
1st Quarter	15 November 2003	Declaration	17 February 2004
2nd Quarter	17 February 2004	Book closure	9 March 2004
3rd Quarter	14 May 2004	Payment	19 March 2004
4th Quarter	16 August 2004	Second Interim	
Notice of Annual General Meeting	29 September 2004	Declaration	16 August 2004
Annual General Meeting	21 October 2004	Book closure	3 September 2004
		Payment	20 September 2004

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
Results					
Revenue	4,993,454	3,907,871	2,410,500	1,291,578	1,306,685
Profit before taxation	1,112,045	812,626	569,311	456,744	501,647
Taxation	(220,429)	(161,093)	(115,537)	(99,005)	(121,654)
Profit after taxation	891,616	651,533	453,774	357,739	379,993
Minority interests	(190,066)	(149,481)	(107,273)	(71,070)	(76,960)
Net profit attributable to shareholders	701,550	502,052	346,501	286,669	303,033
Group Assets					
Property, plant and equipment	4,567,360	3,817,976	2,665,410	2,116,561	1,953,434
Associates	222,636	231,379	258,463	409,271	587,786
Investment properties	580,677	534,243	522,456	489,519	380,940
Other long term investments	32,043	31,363	18,191	33,276	27,501
Land held for development	652,517	650,029	660,074	524,333	512,283
Other assets	491,772	450,783	208,939	117,931	71,354
Current assets	2,254,089	1,863,950	1,265,735	1,006,213	827,907
Total assets	8,801,094	7,579,723	5,599,268	4,697,104	4,361,205
Current liabilities	(1,396,215)	(896,442)	(1,133,531)	(901,600)	(903,693)
	7,404,879	6,683,281	4,465,737	3,795,504	3,457,512
Financed by					
Share capital	582,618	540,400	447,988	425,026	423,943
Reserves	3,835,534	2,989,792	2,443,931	2,069,948	1,830,147
Shareholders' equity	4,418,152	3,530,192	2,891,919	2,494,974	2,254,090
Minority interests	1,205,239	1,195,425	928,336	661,013	569,973
Deferred income	-	-	-	-	207,603
Long term liabilities	1,348,373	1,627,783	433,251	507,357	394,628
Deferred taxation	433,115	329,881	212,231	132,160	31,218
	7,404,879	6,683,281	4,465,737	3,795,504	3,457,512
Net operating profit after tax ("NOPAT")	953,635	721,885	496,153	398,357	417,220
Average shareholders' equity	3,974,172	3,211,056	2,693,447	2,374,532	2,138,922
Average capital employed ¹	7,601,306	6,098,118	4,766,606	4,086,729	3,664,313
Financial Statistics					
Basic earnings per share (sen)	64.23	53.24	40.69	34.09	35.96
Gross dividend per share (sen)	25.0	20.0	15.0	12.5	10.0
Net tangible assets per share (sen)	358	302	312	284	257
Return on average equity (%)	17.65	15.64	12.86	12.07	14.17
NOPAT/Average capital employed	12.55	11.84	10.41	9.75	11.39
Net debt/Equity (%) ²	30.66	39.47	22.13	25.05	27.23

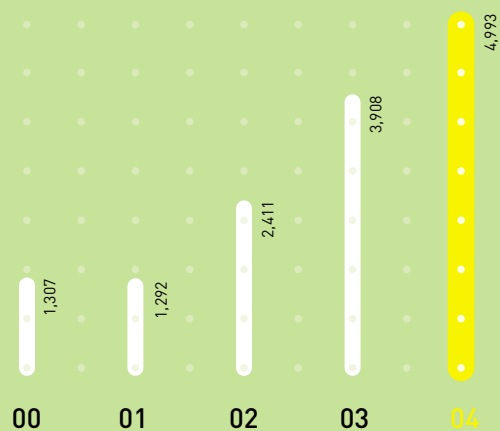
- 1 Average capital employed comprises shareholders' equity, minority interests, long term liabilities, short term borrowings and deferred taxation.
- 2 Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

cont'd

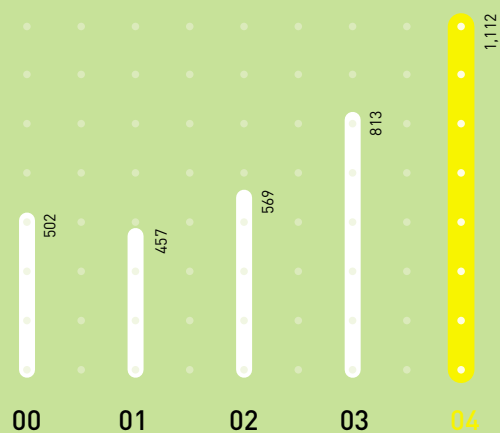
Revenue RM'Million



Earnings Per Share Sen



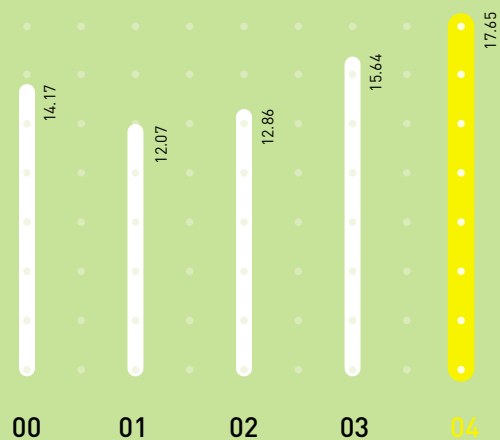
Profit Before Taxation RM'Million



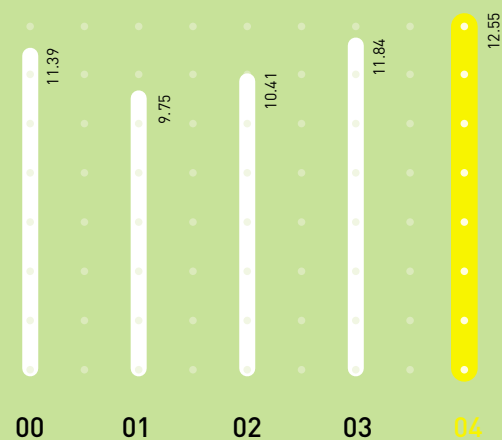
Shareholders' Equity RM'Million



Return On Average Equity %



NOPAT/Average Capital Employed %





As an integrated palm oil producer, we control the entire supply chain, from the upstream plantation business right through to the downstream businesses of our subsidiaries. This enhances the traceability and reliability of our products to our customers. Product quality and safety are crucial to our customers - especially those in the pharmaceutical and food industries. So our customers value the ability to trace the products they buy from us right back to the source.

TRANSPARENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

INTRODUCTION

The purpose of this review is to highlight key financial and operating information on the IOI Group's performance for financial year 2004.

SEGMENTAL

- The IOI Group has two main business lines - Palm Oil and Property. The segmental information in the consolidated financial statements provides additional breakdown of these business lines. Palm Oil is segmented into Plantation and Downstream Resource-based Manufacturing.
- The contribution of the Group's principal activities to Group earnings are summarised as follows:

	EBIT				% GROWTH
	FY 2004 RM'000	%	FY2003 RM'000	%	
Plantation	638.7	55	543.4	63	18
Downstream Manufacturing	186.2	16	123.5	14	51
Palm Oil Business*	824.9	71	666.9	77	24
Property Business	336.8	29	255.2	29	32
Others (unallocated)	(5.3)	-	(54.3)	(6)	> 100
	1,156.4	100	867.8	100	33

* Including results of associates

- The Plantation segment had the benefit of 8 months contribution from the 5 newly acquired Sabah plantation companies. The acquisition, proposed in April 2003, was completed on 7 November 2003. The total acquisition cost was RM592.9 million and the post acquisition net profit contribution was approximately RM51 million.
- As some of the subsidiaries are not wholly owned, at net earnings level, the contribution of the 3 segments are as follows:

	FY 2004	FY 2003
Plantation	74%	85%
Downstream Manufacturing	4%	1%
Palm Oil Business	78%	86%
Property Business	23%	26%
Others (unallocated)	(1%)	(12%)
	100%	100%

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW cont'd

SEGMENTAL cont'd

- How will the relative contributions from the three segments change in the foreseeable future? The following are pertinent factors to consider:
 - Acquisitions and ongoing capital investments in our Palm Oil business, both upstream and downstream, provide larger revenue generating capacity in coming years. For example, the Rotterdam refinery, the Soctek acquisition and the 5 Sabah plantation companies which, comprise substantially of young palms that have yet to enter the prime yielding years. Hence, contribution from the Palm Oil business taken as a whole, has the capacity to generate "double digit" growth over the next couple of years, palm oil price constant. The split between plantation and the downstream manufacturing will vary and be counter cyclical to each other.
 - The housing market cycle is obviously a major influencing factor to property earnings. However our strength has been our ability to manage and moderate the cycles by marketing appropriate product mix. Hence the Group's income stream from the Property business fluctuates much less than industry norm. Apart from market conditions, a significant driver to growth is when a new township is launched. The Group is scheduled to launch an as yet unnamed scheme on a 500 acre site in the vicinity of Putrajaya-Cyberjaya by FY 2006.

KEY PERFORMANCE INDICATORS

	FY 2004 RM'MILLION	FY 2003 RM'MILLION	% CHANGE
Pretax	1,112.0	812.6	37
Net operating profit after tax ("NOPAT")	953.6	721.9	32
Net earnings	701.6	502.1	40
Return on shareholders equity ("ROE")	17.7%	15.6%	13
Return on average capital employed	12.6%	11.8%	6
Economic profit	343.4	260.1	32
Total return to shareholder			
- Change in share price	RM2.45	(RM0.40)	> 100
- Gross dividend	50%	40%	25
Net cash flow generated from operation	976.9	777.3	26

HIGHLIGHTS

- The Group achieved yet another record high, passing the RM1 billion mark for the first time, to achieve RM1.11 billion in pre-tax profit. This represents a 37 % growth in pre-tax profit and was made possible on the back of higher contributions across all three business segments of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

HIGHLIGHTS cont'd

- Net earnings grew by 40% to RM701.6 million, slightly stronger than pre-tax earnings growth even though the effective tax rate remained at about the same level i.e. 20.5 % (2003 - 21.1 %). This is as a result of us increasing our stake in some of the non-wholly owned subsidiaries, notably IOI Oleochemical Industries Bhd, where we increased our stake from 51 % to 60 % and IOI Properties Bhd, where our holding has been increased from 65 % to 67 %.
- Effective tax rate is lower than statutory tax rate because of the availability of investment tax allowances on capital expansion projects as well as previously unrecognised unutilised tax losses of subsidiaries acquired. Effective tax rates are not expected to change significantly in the near future.
- Group revenue for FY 2004 grew 28% to RM4.99 billion, mainly because of higher palm oil prices and also because of a buoyant housing market. (We do not however regard Revenue as a Key Performance Indicator at Group level because in the case of some of the downstream manufacturing business, revenue may increase broadly in line with palm oil prices but margins may not as the cost of raw material price increase may not be fully recovered.)



- Plantation earnings increased by 18% to RM638.7 million mainly because of 22% higher FFB production and higher average CPO price realised of RM1,575/MT (FY 2003 - RM1,461/MT).
- Plantation earnings would have been higher if not for significant crop losses in Q3 during the severe flooding in Sabah. Cost of sales were also higher on account of higher Sabah sales tax and increase in fertiliser and fuel cost. Cost per MT increased by about RM106.
- On the downstream resource-based manufacturing segment, comprising refinery, oleochemicals and specialty fats, operating profit grew by 51% to RM186.2 million despite higher palm oil prices. The significant improvement is attributable to volume growth for the oleo business, improving performance from the specialty fats business, all round improvement in cost efficiencies and effective raw material price hedging strategies.
- Property segment had an outstanding year, capitalising on a buoyant property market. Sales recorded a better than expected 56% increase. Part of the benefit of this will be realised in FY 2005, as profits get taken up progressively with construction. Operating profit grew by 32% from RM255.2 million to RM336.8 million in FY 2004, the best year thus far, for the property segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

HIGHLIGHTS cont'd

- Group's Return on Equity ("ROE") improved further to 17.7% as compared to 15.6% the previous year. This represents a 13% enhancement on the ROE rate. The enhancement should have been higher in view of the gearing and share buy back programme; however equity was increased by RM374.9 million as part of the RM592.9 million purchase consideration for the Sabah plantation companies was by way of new issue of shares.
- The Return on Average Capital Employed ("ROCE") increased from 11.8 % to 12.6 %, due mainly to higher operating margins from the plantation and property segment. Generally, although costs such as fertilisers, chemicals, steel bars, fuel and freight have gone up during the year for these two business segments, selling prices increases have stayed ahead.
- In line with the outstanding operating performance from all the 3 segments, the Group's net operating profit after tax ("NOPAT") for FY 2004 increased by 32% to RM953.6 million.



- Although the Group's after tax cost of debt for FY 2004 was lower at an average rate of 1.8 %, down from an average of 2.8 % in FY 2003, cost of equity increased on account of higher share price volatility and consequently the weighted average cost of capital ("WACC") increased from 7.57% to 8.03%. Notwithstanding the increase in WACC, the Economic Profit (i.e. the surplus of NOPAT over total cost of capital) generated by the Group grew by 32% to RM343.4 million, making it the 5th consecutive year of growth in Economic Profit.
- This was made possible by a combination of outstanding operations management and entrepreneur initiatives to take advantage of the relatively low cost of capital to seize acquisition opportunities.
- The Group's operating cash flow continues to be strong, generating total net operating cash flow of RM976.9 million as compared with the previous year's sum of RM777.3 million. The Group spent RM144.3 million of capital expenditure ("Capex") for the year, mainly on the Palm Oil business. After deducting the sum spent on capex and net of proceeds from disposal of certain fixed assets, free cash flow from operations was RM854.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

HIGHLIGHTS cont'd

- Apart from the aforesaid capex, a sum of RM332.7 million was spent on acquisition, the most significant being the cash portion of the purchase consideration for the Sabah plantation companies acquired.
- As at 30 June 2004, shareholders' equity stands at RM4.42 billion, an increase of RM0.89 billion or 25 % from a year ago. The increase was mainly due to new equity issue valued at RM374.9 million as part of the purchase consideration for the acquisition of the Sabah plantation companies mentioned earlier, new issue for ESOS of RM55.3 million, net earnings for the year of RM701.6 million, net of share buy-back valued at RM43.5 million and cash dividend payout of RM202.0 million.
- As at 30 June 2004, the Group's gross borrowings totalled RM2.05 billion whilst net borrowings stands at RM1.35 billion. Based on a shareholders' equity of RM4.42 billion, the gross and net gearing ratio of IOI therefore stands at 46 % and 31 % respectively as compared to 54 % and 39 % respectively for FY 2003. The interest cover ratio improved impressively from 8 times to 13 times for 2004.



- The Company strives to enhance returns for shareholders, not only by delivering a good set of results consistently, but also by increasing dividend payout and share repurchase programme whenever appropriate. Total gross dividend for the year was increased further from 40% (20% less tax plus 20% tax exempt) for FY 2003 to 50% less tax for the financial year under review. Total net cash dividend paid and payable in respect of FY 2004 totalled RM202.5 million.
- In respect of share repurchase programme, the Company spent a total of RM43.5 million in FY 2004 to buy back 5,447,900 of its own shares from the open market at an average price of RM7.99 per share.
- The outlay on share buy back, together with the aforesaid net dividend totalled RM246.0 million, representing 35% of the Group's net attributable earnings for the financial year (FY2003 - 58%).
- The total return to shareholder, as measured by the increase in share price and gross dividend declared for the year, was RM2.70 per share (RM2.45 increase in share price between 1 July 2003 to 30 June 2004 plus gross dividend per share of 25 sen). This represents a total return of 47 % based on a share price of RM5.70 at 30 June 2003. Over the same corresponding period, IOI share price increased by 43 %, versus KLCI composite index increase of 18 % and the KL plantation index increase of 16%.

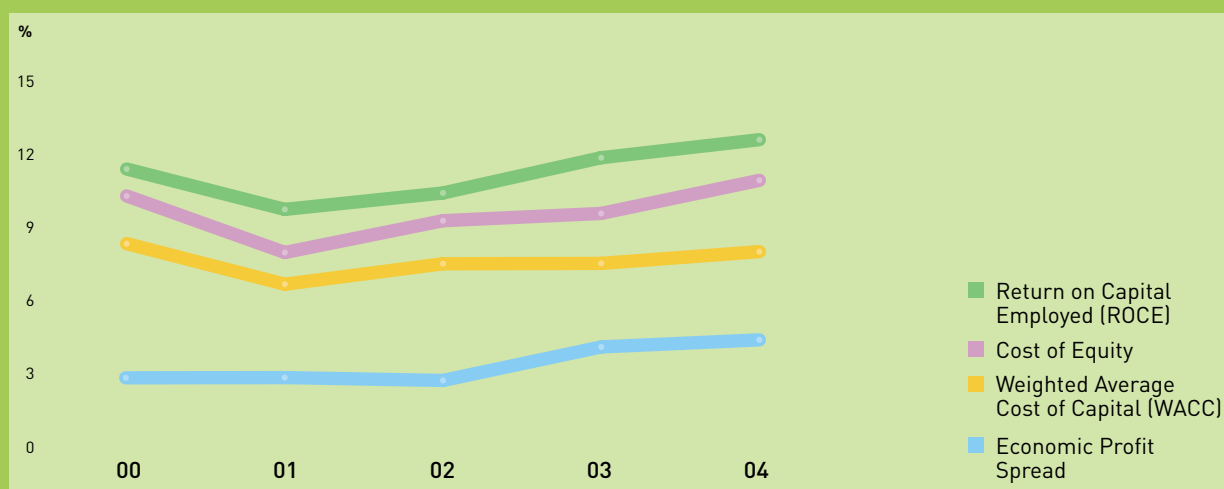
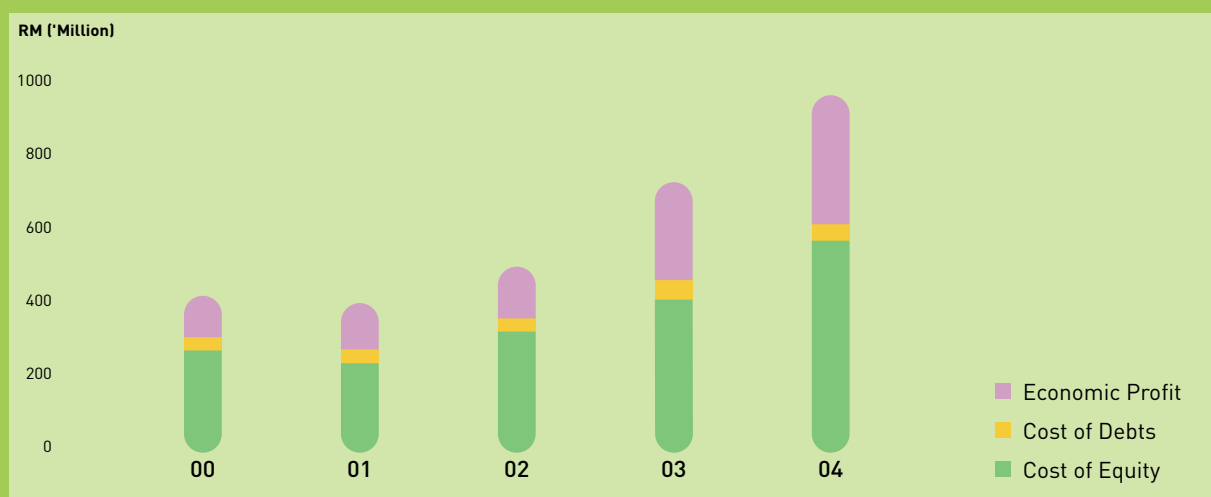
MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

FIVE-YEAR ECONOMIC PROFIT TREND cont'd

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

	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Economic Profit	109,658	122,711	136,612	260,126	343,416
Cost of Debts	33,628	35,846	34,797	51,984	43,093
Cost of Equity	273,934	239,800	324,744	409,775	567,126
NOPAT	417,220	398,357	496,153	721,885	953,635

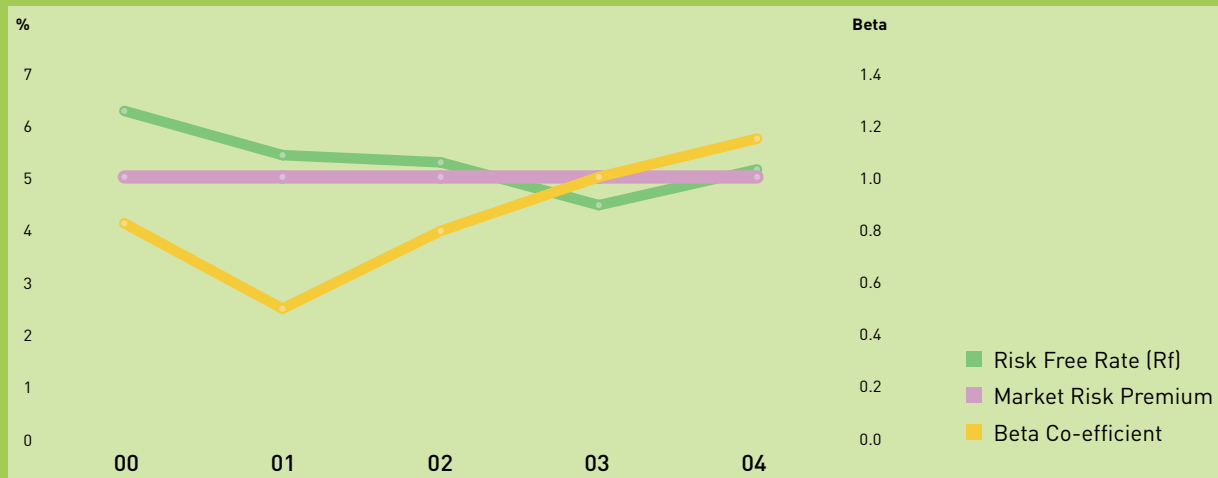


The above computations were arrived at based on the following parameters:

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

FIVE-YEAR ECONOMIC PROFIT TREND cont'd



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.
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW
cont'd

RISK MANAGEMENT cont'd

Operating Risk Management cont'd

- 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.
- Control risks and other day-to-day operation risks are covered by the Group's Enterprise Risk Management System. Risks of not meeting strategic objectives or performance targets are identified, evaluated and remedial action taken. The Risk Management Committee of the respective business units formally reviews, update status and reports to the Audit Committee on a quarterly basis.

Financial Risk Management

- The Group's operations which have expanded substantially in recent years 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.
- 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 as well as commodity swap to hedge our inventories, sale and purchase commitments.
- Besides, the Group also enters into interest rate derivative instruments with the objective of minimising overall cost of borrowings over the whole tenure of the underlying borrowings.
- 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.
- Whenever appropriate, we also enter into forward foreign currency contracts to limit the Group's 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.

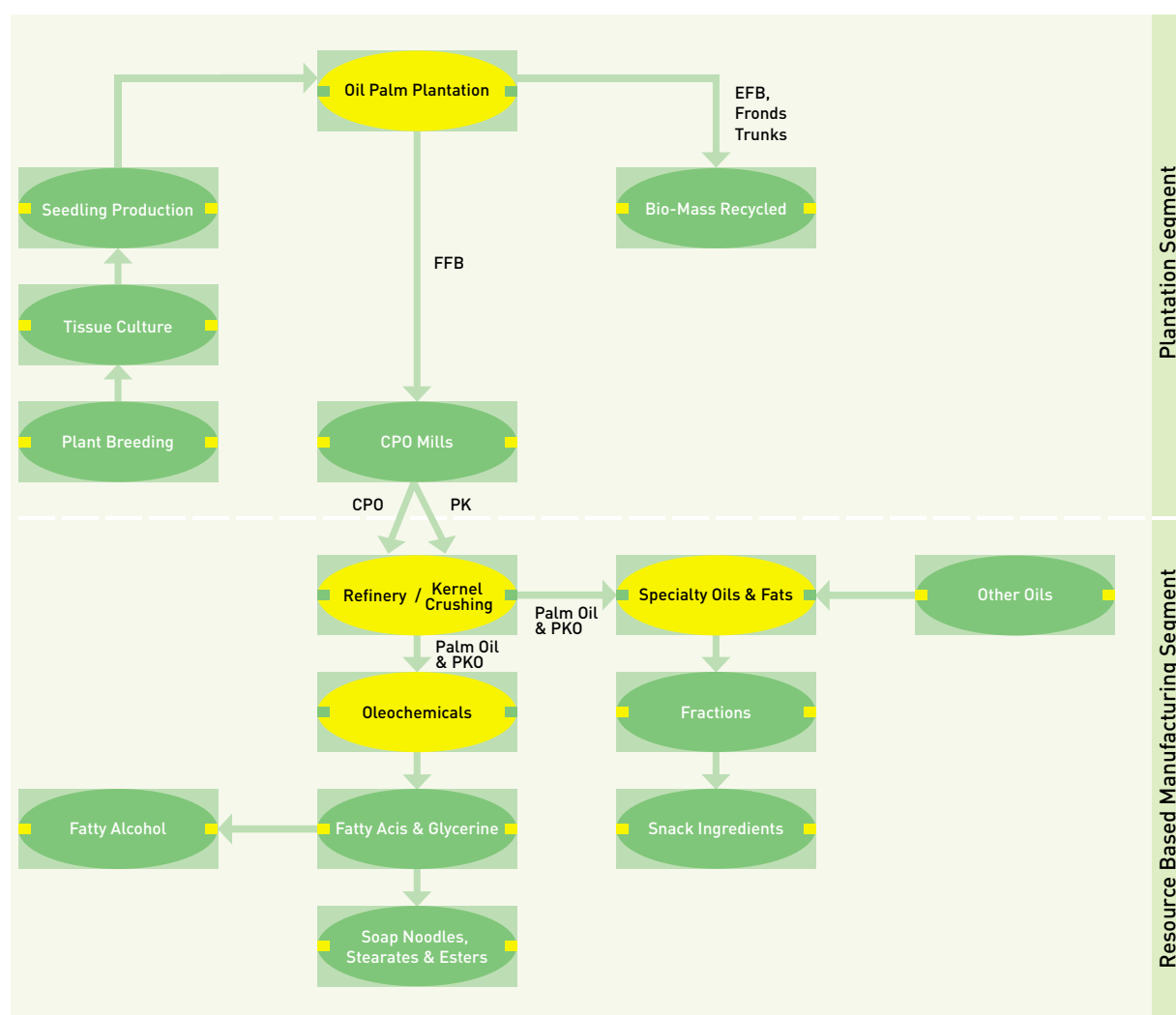
For more disclosures on the Group's financial risk management, refer to Note 38 of the financial statements included in this Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW

PALM OIL BUSINESS

Our integrated Palm Oil business comprising oil palm plantation and resource-based manufacturing is the Group's core business. Our oil palm plantation related activities include the breeding and production of clones and seedlings, the planting and cultivation of oil palms and the milling of fresh fruit bunches harvested from oil palm estates into crude palm oil and palm kernel at our crude palm oil mills. The crude palm oil and palm kernel produced by our mills in Sabah, Malaysia are processed by our own refinery and kernel crushing plant in Sandakan, Sabah, whereas the crude palm oil and palm kernel we produce in Peninsular Malaysia which were previously sold to third parties will now be principally processed by our refinery in Pasir Gudang, Johor as a result of the recent Sottek acquisition completed in early September 2004. A substantial portion of the palm fractions from our refineries serve as raw material for our oleochemical and specialty fats business which has a global outreach.





PLANTATION



MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

INTRODUCTION

We commenced our plantation business in 1983 and as at 30 June 2004 we have 77 estates with a total area of approximately 158,502 hectares of plantation land in Malaysia and 12 mills with a total milling capacity of approximately 3,900,000 tonnes of fresh fruit bunches per annum. We believe this makes us the fastest growing plantation group in Malaysia over this period in an industry where Malaysia is generally regarded as the global leader.

The yield from oil palm plantation depends on a variety of factors, including the quality of the oil palm seedling, soil and climatic conditions, the quality of management of the plantation, and harvesting and processing of the fresh palm fruit bunches at the optimum time. We have a dedicated research team focused on improving fresh fruit bunches yields, the oil and kernel extraction rates and carrying out research involving tissue culture to cultivate seedlings with superior traits. In addition, we also have a team of in-house agronomists to conduct various analysis and studies with the objective of ensuring quality palms and fruits, including studies on palm oil nutrient status, palm appearance, ground conditions, pests and diseases affecting palms, pruning methods and best practices for sustainable agriculture.

Our quality commitment approach in the plantation sector begins with the use of superior breeds of palm seeds to help improve both the palm oil yields as well as the quality of the palm oil. Through oil palm breeding and selection, we believe we have managed to develop oil palm material, which we refer to as our "IOI DxP oil palm planting material", with a high fresh fruit bunch yield and a high oil to bunch ratio. We also produce oil palm clones at our tissue culture laboratory. We first select high quality palms, and subsequently produces clones of the oil palm planting material. We believe that this helps ensure the high yield of our palm oil and helps ensure profitability of our oil palm business. In addition, to help ensure the quality of our palm oil, fresh fruit bunch crop harvested from our oil palm plantation are typically despatched to the palm oil mill on the same day to minimize spoilage, the milling processes are closely monitored to help ensure minimal losses in the processing lines, and all machines are under stringent maintenance programs to help ensure operational efficiency.

We believe that our research and development efforts and progressive agronomic practices together with our quality control procedures have yielded positive results for the Group and established our reputation as one of the most cost effective and efficient plantation companies.

With the increase in downstream operations, a substantial portion of the Group's crude palm oil and palm kernel production is being utilized in our downstream manufacturing operations. For financial year ended 30 June 2004, approximately 57% of our plantation revenue of RM1,230.0 million comprises sales to our manufacturing division.

Surplus crude palm oil not used in our downstream manufacturing business is sold to local refineries as well as exported to India and Europe. Palm fractions from our refinery are mainly exported to Europe, China, India and the Middle East. To facilitate logistic and shipment times, most of these sales are transacted on a three to six month forward contract basis. Apart from forward physical sales, we also actively use the futures market for hedging purposes with the objective of protecting against known price trends. These hedging activities are carried out within a clearly defined risk management framework.

As at 30 June 2004, total oil palm planted area of the Group stood at 145,060 hectares, about 17% higher than the previous year due mainly to the completion of the acquisition of the five Sabah plantations companies in November 2003. Approximately 68% of the Group's plantation holdings are in the state of Sabah with the remaining 32% in Peninsular Malaysia, mainly in the central and southern parts of the Peninsular. The Group's CPO mills have increased by 1 unit to 12 mills arising from the aforementioned acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

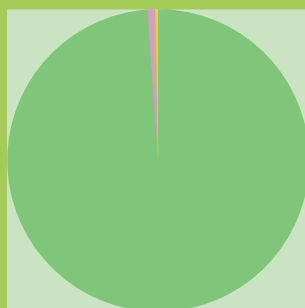
PLANTATION STATISTIC

The plantation statistics are tabulated as follows:

Crop Statement

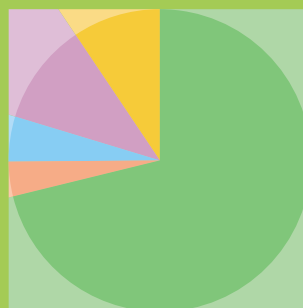
YEAR ENDED 30 JUNE	2004	2003	2002	2001	2000
Oil Palm					
Mature area harvested (hectare)	122,401	95,450	83,825	79,477	75,586
FFB production (MT)	2,927,194	2,396,231	1,920,692	1,926,808	1,565,807
Yield per mature hectare (MT)	23.91	25.10	22.91	24.24	20.72
Mill production (MT)					
Crude palm oil	677,319	597,515	477,794	469,070	371,145
Palm kernel	157,243	143,307	118,209	119,855	98,172
Extraction rate (%)					
Crude palm oil	21.54	21.82	21.28	19.98	20.04
Palm kernel	5.00	5.23	5.26	5.11	5.30
Average selling price (RM/MT)					
Crude palm oil	1,575	1,461	1,075	838	1,216
Palm kernel	794	711	522	457	948
Operating profit (RM/mature hectare)	5,300	5,576	2,834	1,615	3,088
Rubber					
Mature area tapped (hectare)	1,249	1,605	1,808	2,009	2,102
Rubber production ('000 kg)	2,329	3,615	3,607	3,727	3,461
Yield per mature hectare (kg)	1,865	2,252	1,995	1,855	1,647
Average selling price (RM/kg)	5.27	4.15	3.30	3.40	3.32
Operating profit (RM/mature hectare)	4,380	3,850	1,486	1,534	1,230

Crop Mix



- Oil Palm 98.9% (145,060 HA)
- Rubber 0.8% (1,172 HA)
- Others 0.3% (495 HA)

Oil Palm Hectareage... by age



- Immature 10.9% (15,881 HA)
- Young 9.4% (13,654 HA)
- Prime 71.1% (103,116 HA)
- Past Prime 3.8% (5,404 HA)
- Due 4.8% (7,005 HA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

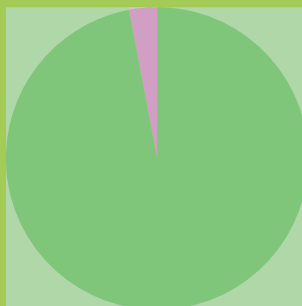
GROUP BUSINESS REVIEW
cont'd

PLANTATION STATISTIC cont'd

Area Statement (In Hectares)

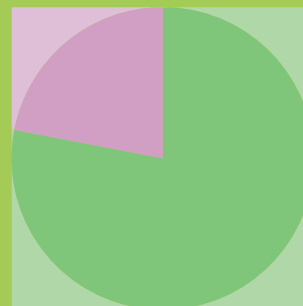
YEAR ENDED 30 JUNE	2004	2003	2002	2001	2000
Oil Palm					
Mature	131,333	107,108	85,035	80,226	77,906
Immature	13,727	17,095	13,829	7,379	8,245
	145,060	124,203	98,864	87,605	86,151
Rubber					
Mature	1,172	1,397	1,776	2,001	2,014
Other	495	590	314	299	287
Total planted area	146,727	126,190	100,954	89,905	88,452
Nursery	67	142	167	109	67
Estate under development	461	805	2,538	7,810	-
Housing project	1,158	1,162	1,187	1,105	1,055
Labour lines, buildings sites and infrastructure	10,089	8,034	5,250	4,884	4,869
Total area	158,502	136,333	110,096	103,813	94,443

Oil Palm Hectarage ...by Region



Sabah – 68%

■ Mature 97% (94,703 HA)
■ Immature 3% (3,223 HA)



Peninsular – 32%

■ Mature 78% (36,630 HA)
■ Immature 22% (10,504 HA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

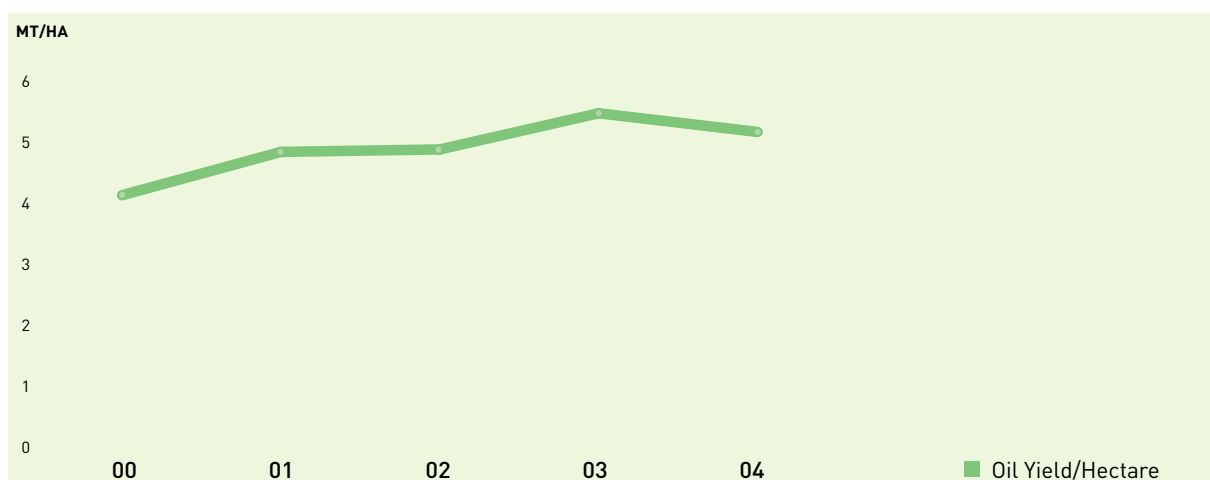
GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW

The Group harvested a total of 2.93 million MT of FFB for the financial year under review, a 22% increase against previous year's 2.40 million MT due principally to the increase in overall mature area harvested as a result of 8 months contribution from the five new Sabah plantation companies.

Despite the increase in absolute FFB production during the financial year, Group FFB yield achieved for FY 2004 of 23.9 MT per mature hectare is however, lower than the previous year's 25.1 MT per hectare due to crop losses resulting from severe floodings in Sabah in the 3Q and also because the age profile of the newly acquired estates are of "pre-prime" production age.

The lower crop yield achieved coupled with a slightly lower oil extraction rate of 21.54% (FY2003 - 21.82%) resulted in a lower oil yield of 5.16 MT per mature hectare for the financial year just ended as compared with the previous financial year's 5.49 MT. The Group's CPO yield trend for the last 5 years are as follows:



Even though the overall oil yield achieved for the financial year is lower than the previous year, the yield achieved is nevertheless higher than the industry average of 3.8 MT per hectare.

Despite the reduction in overall Group oil yield, 12 units (FY 2003 - 16 units) of the Group's estates managed to achieve oil yield of more than 6 MT per mature hectare. These estates are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW cont'd

Estates that achieved > 6 MT of CPO per hectare

FY 2004	Sakilan Estate, Laukin Estate, Maynod, Luangmanis, Halusah, Sg. Sapi, Jasin Lalang, Syarimo 2, Terusan Baru, Morisem 3, Syarimo 3 and Ladang Tas.
FY 2003	Jasin Lalang, Permodalan 2, Terusan Baru, Sg. Sapi, Laukin Estate, Permodalan 1, Baturong 1, Syarimo 3, Sagil, Permodalan 3, Luangmanis, Unijaya, Moynod, Baturong 3, Sakilan Estate and Bahau
FY 2002	Sagil, Terusan Baru and Jasin Lalang



Plantation segment recorded an operating profit of RM638.7 million for the year under review against the previous year's RM543.4 million, a 18% increase due mainly to the 22% higher FFB production and a 8% increase in average CPO price to RM 1,575/MT (FY2003 - RM 1,461/MT)

Operating profit did not increase proportionately with the increase in crop production and CPO price because:

- Cost of production increased by RM90 per ton of CPO produced due to
 - Increase in fertilisers, chemicals and other costs (such as cost on repairs of roads and bridges damaged by floods).
 - Lower yield per hectare (for reasons explained above) and consequently higher unit production cost.
- Sales tax were higher because of the higher prices as well as change in basis.

At net operating profit after tax ("NOPAT") level, the division made a total of RM502.0 million for FY 2004, up 10.6% from previous year, giving a ROCE of 23.5% (vs. 25.6% in 2003) based on an average capital employed of RM2,133.0 million (RM1,772.9 million in 2003).

Operating profit per average mature hectare for oil palm was RM5,300 per hectare for FY 2004 against RM5,576 per hectare for FY 2003, a 5% decrease due to reasons mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW cont'd

The cess and tax for the year were as follows:

	FY 2004 RM'000	FY 2003 RM'000
MPOB cess	10,160	10,392
Rubber	192	358
	10,352	10,750
Sabah sales tax	38,845	25,318
	49,197	36,068

The substantial increase in Sabah sales tax is due to the following:

- Increase in the Group's overall CPO production.
- The change in the computation of Sabah sales tax 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. Consequently, FY 2004's figure comprises full year tax based on the new method against previous year's six months.



For capital expenditure, the Division spent a total of RM78.2 million for FY 2004 as compared to previous year's RM90.2 million. RM29.8 million was spent on new planting (vs. RM31.9 million in 2003) whilst RM48.4 million (vs. RM58.3 million in 2003) on staff quarters, road and bridges, agricultural equipment as well as the expansion of a CPO mill capacity. In addition, RM11.4 million (RM10.1 million in 2003) was charged out as replanting expenditure.

OUTLOOK & PROSPECTS

The two key drivers to plantation segment's earnings are production volume and CPO prices.

FFB production volume growth for FY 2005 should top 15% because of the increase in average mature area under harvest as well as improving yields.

Main components of production cost are expected to be stable after the hike in prices experienced last year. Hence, with higher yields, unit production cost for current year should drop.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OUTLOOK & PROSPECTS cont'd

The major factors that will influence CPO price trend and level in FY 2005 are as follows:

Bearish factors

- Oilseed supply, especially soybean and rapeseed are expected to increase significantly.
- Freight rates are up, therefore landed prices are more expensive for consuming country.

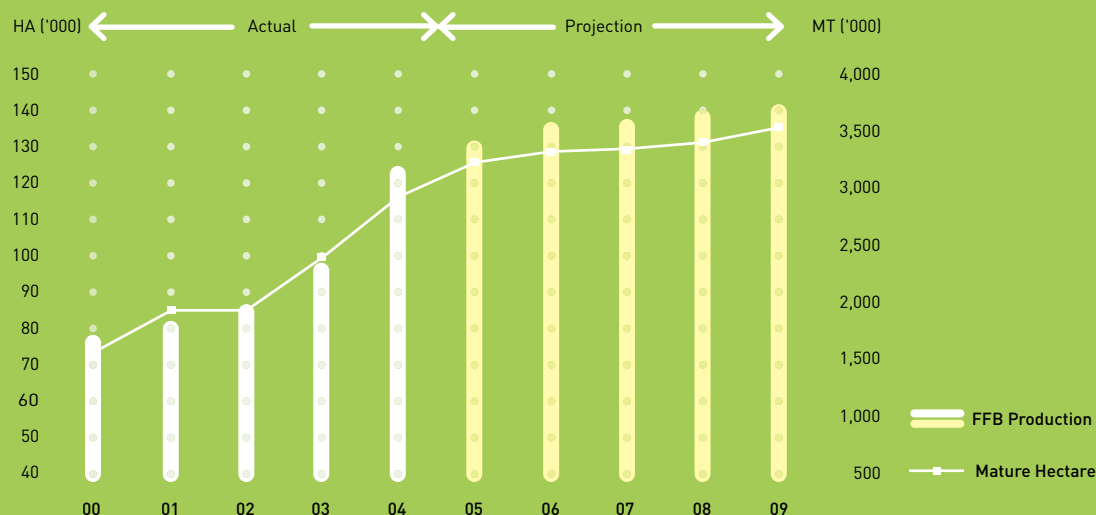
Supportive factors

- After two consecutive years of supply deficit, stocks need to be replenished.
- Meal demand seem to be softening (bird flu etc), hence less soybean crushing and less supply of soy oil.
- Increased bio-diesel production draws from rapeseed supply increased.
- Unfavourable weather may trim original supply growth forecast. Indian winter crop expected to be lower because of below average rainfall.
- Return of El Nino to Asia Pacific forecasted for Asia Pacific. Whilst not expected to have direct physical effect for FY 2005 as impact usually has 9-12 months lag effect, it will provide psychological trading support.
- Indian imports of edible oils for the 2005 season expected to recover from 2004 lows whilst China's demand is expected to remain strong.

On balance, we do not expect our average CPO price for FY 2005 to be lower than FY 2004 average, base case scenario.

In the longer term, demand for edible oils is expected to remain robust. The price cycles are largely driven by supply side fluctuations, often unpredictable, because of weather. Occurrences of adverse weather over major food crop growing regions of the world are occurring with increasing frequency, due largely to global warming patterns. Market players will have to eventually factor in higher risk premiums as well as make adjustment for higher inventory carry, especially in times when freight availability also becomes an issue.

Mature Oil Palm Area/FFB Production





ENVIRONMENTAL RESPONSIBILITY

By striking a balance between economic objectives and environmental welfare, we aim to grow value for generations to come. Our aim is always to work with the ecosystem, and to affect the natural environment as little as possible. That is why we adopt biological solutions wherever possible. A good example is using buffaloes instead of vehicles to transport fruit bunches in the infields. Buffaloes do not damage the soil, do not utilise non-renewable diesel fuel nor emit excessive CO₂ and since they eat the grass and provide manuring there is less need for us to use weedicides and non organic fertilisers. Caring for the environment involves an endless learning process; sometimes it is best to just get on with simple, creative solutions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

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.

In 2004, IOI Group became one of a group of ten founding members of the Roundtable on Sustainable Palm Oil ("RSPO"), a new global multi-stakeholder initiative to promote the expansion of sustainably produced palm oil and its uses.

The IOI Research Centre is carrying out field trials to investigate "Sustainable Agriculture" scientifically and practically, especially in maximising fertiliser-use efficiency. 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, is also being tested on 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. 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 palm oil mill effluent are used where necessary as organic fertilisers to enhance yields resulting in cost-effectiveness in our fertiliser practices.

Mesocarp fibre and palm kernel shell are used as biofuel for power generation in palm oil mills. EFB fibre is used as biofuel for steam generation in our 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.

The effectiveness of the above practices are being closely monitored while other probable beneficial practices are being researched on.



MANUFACTURING



MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

INTRODUCTION

Our resource-based manufacturing segment comprises mainly downstream processing of palm oil produce. We have a well-integrated network of companies operating a range of related activities from primary production to downstream processing of palm oil and marketing. Crude palm oil and palm kernel oil are processed into products that are used in various industries including personal care, households, food, pharmaceutical, cosmetics and chemical industries.

REFINING

The Group's existing 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 with another 50,000 MT kernel crushing capacity under construction which will be available by the end of FY 2005. The refinery and KCP process mostly the CPO and kernels of the Group's palm oil mills in Sabah.

The acquisition of Soctek in September 2004 adds another 300,000 MT annual refining capacity in Pasir Gudang, Johor to cater to the CPO produced by our mills in Peninsular Malaysia.

OLEOCHEMICALS MANUFACTURING

This is undertaken through 60% owned subsidiary, IOI Oleochemical Industries Berhad ("IOI Oleo"). IOI Oleo's principal products include fatty acids, glycerine, soap noodles, and metallic stearates. IOI Oleo is the largest vegetable-based oleochemical manufacturer in Asia. Its products are used in a wide variety of applications, including manufacturing of detergents, surfactants, shampoo, soaps, cosmetics, pharmaceutical products, food additives and plastics. Our oleochemical products are exported to more than 60 countries worldwide, particularly to Europe, Japan and China. IOI Oleo's customers include some of the world's largest multi-national corporations. IOI Oleo is also a 30% joint-venture partner with Kao Corporation of Japan for the production of fatty alcohol. The fatty alcohol plant which has an annual capacity of about 170,000 MT per annum is sited next to IOI Oleo's 50 acre production complex.

The table below sets forth certain information with respect to the performance of our oleochemicals manufacturing business:

	FINANCIAL YEAR				
	2000	2001	2002	2003	2004
Capacity (tonnes per annum)	200,000	200,000	200,000	330,000	330,000
Utilization (%)	89	97	95	88	92
Revenue (RM'000)	830,657	727,859	688,767	921,196	1,149,810
EBIT (RM'000)*	70,955	138,191	100,821	104,556	117,292

* Including results of associates

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OLEOCHEMICAL MANUFACTURING cont'd

A significant portion of IOI Oleo's production is sold to customers under long term supply contracts. To better serve its wide geographical distribution of customers, IOI Oleo has a network of distributors and agents in various countries, including countries in Europe, Asia and Australia as well as storage facilities in Europe, and the United States.

SPECIALTY OILS AND FATS MANUFACTURING

The specialty oils and fats business of the Group is carried out by Loders Croklaan which we acquired in 2002. Through this acquisition, we were able to extend our supply chain to include specialty oils and fats as well as increase our customer base. Loders Croklaan has manufacturing operations in the Netherlands, the United States, Egypt and Canada, and sales offices in eight other countries with sales to more than 60 countries worldwide. We believe that Loders Croklaan has one of the most developed specialty oils and fats technology base in the industry. Loders Croklaan has a corporate history tracing back to 1891, and is a global market leader in its field.



Loders Croklaan is organised into three divisions, namely the snack ingredients, lipid nutrition and special products division.

Snack Ingredients

The snack ingredients division is the principal business of Loders Croklaan, supplying fractionated oils, mainly coating fats, filling fats or high stability oils to the processed food industry globally, principally for confectionery and bakery application. It produces specialty fats products in the form of either modified single fats or blended fats. These fats resulted from the process of fractionation of one or a combination of crude palm oil, palm kernel oil, soya oil, cotton seed oil or shea stearin. Loders Croklaan's most important market is North Western Europe which is the world's biggest consumer of specialty fats where the majority of sales of specialty fats are to chocolate manufacturers in the form of cocoa butter equivalents, cocoa butter replacers and cocoa butter substitutes. Loders Croklaan's other markets include Eastern Europe, the United States, Canada, Central and Latin America, Egypt, the Middle East countries, China, Japan, Korea, India and South East Asia. Since becoming a member of the IOI Group, Loders Croklaan has focused on palm oil fractions to leverage on IOI Group's palm oil supply chain.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

SPECIALTY OILS AND FATS MANUFACTURING cont'd

Lipid Nutrition

Lipid Nutrition is a relatively new business unit of Loders Croklaan which was started in 1999. This business was developed from the lipid technology of the snack ingredients division, by utilising Loders Croklaan's understanding of the functionality and the nutritional properties of components to build a new business to diversify its product range and earning base. Loders Croklaan manufactures and sells active ingredients for use in the supplements, such as pills and capsules, focusing on three key areas namely conjugated linoleic acid marketed under the brandname "Clarinol", Omega-3 fatty acids marketed under the "Marinol" name and gamma linoleic acid which is marketed under the "Gammonal" name. In addition, Loders Croklaan also produces infant formulae products marketed under the name Betapol and lecithins as an ingredient in margarines and spreads. Competitors vary depending on the product segment and come from a range of sectors including chemical, pharmaceutical, food ingredient, oil processing and specialty ingredients.



Special Products

This division comprises both food and animal feed ingredients such as collagen, soya isolates, concentrates, feed enzymes and colors. The food ingredients are sold to the food industry in general and to the meat processing industry while the animal feed ingredients are sold to the feed industry in general and to feed and premix manufacturers for calf milk and young piglet feed in particular. The enzymes, flavors and colors are mainly sold in North America.

Soctek Sdn Bhd

In July 2004, Loders Croklaan executed an agreement to acquire a Malaysian specialty oils and fats company, Soctek Sdn Bhd. It will provide Loders Croklaan with a cost competitive manufacturing base in Asia, thereby enhancing its supply chain efficiency and further enhance its access to customers in Asia.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

SPECIALTY OILS AND FATS MANUFACTURING cont'd

Rotterdam Facility

Loders Croklaan is currently in the process of constructing a palm oil refinery and fractionating plant with an annual capacity of approximately 700,000 tonnes. We believe this will be the biggest single site palm oil refinery in Europe. The site is located in the "deep water" section of the Rotterdam port and has the advantage of being able to unload crude palm oil directly from, and unload refined palm oil to, large ocean going vessels, thereby avoiding the need to use smaller vessels for the transportation of the palm oil between the large ocean going vessels and the refinery. Construction of the Rotterdam refinery is expected to be completed by the end of 2005. Apart from providing Loders Croklaan with fresh palm oil for its downstream operations, the Rotterdam refinery will also enable IOI to channel its crude palm oil to the European market for value added sales, utilising Loders Croklaan's established distribution network and market standing.



OPERATIONS REVIEW

The refinery and kernel crushing operation in Sandakan, Sabah achieved an operating profit of RM41.2 million for FY 2004, a 45% increase and an excellent level of profitability for its capacity size. This was as a result of slightly better inherent refining margins as well as favourable trading conditions to capitalise on.

The oleochemicals business of the Group, including associate FCM contributed RM105.9 million to Group's operating profit for FY 2004, up 7% over the previous year's RM99.2 million despite a sudden surge of the prices of main feedstocks, palm kernel oil and palm stearine during the third and fourth quarters of the financial year under review.

In spite of higher input prices, the earnings growth of the oleochemicals operations of the Group was achieved as a result of continuous improvement in cost efficiencies and volume growth arising from increasing consumer preference for vegetable-based fatty acids, which are natural and bio-degradable. The growth was also aided by increasing awareness of the diverse and versatile range of products in which fatty acids and their derivatives can be used. Consequently, sales volume of Acidchem and its subsidiaries grew 9% to achieve a new high of 316,431 MT.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW cont'd

For the specialty fats operations, the business reported an operating profit of RM39.1 million for the financial year under review, significantly higher than the previous financial year which results included several one-off charges and cost adjustments such as severance pay, insurance costs and currency effects. Additional strategic initiatives were taken to streamline operations, further reduce cost and made palm the clear and present focus, all of which will continue to enhance performance.

OUTLOOK & PROSPECTS

- The specialty fats business will be the one that sees the most strategic positioning and change taking place over two years as Lodders Croklaan
 - Integrates the recent Soctek acquisition, to provide the much needed competitive cost base to tackle the Asian specialty fats market.
 - Leverages on its technical expertise to introduce palm oil into the non-trans fatty acid applications market in USA.
 - Complete the 700,000 MT palm oil refinery in Rotterdam.



The above initiatives which would all be fully completed by FY 2006, provides considerable enhancement to Lodders Croklaan's performance capabilities.

- Refinery is expected to perform well again.
- Oleochemicals is likely to experience tougher market conditions this year but should be able to sustain its position.
- Overall, the manufacturing segment should see some earnings growth for FY 2005, barring a sharp increase in palm/kernel oil prices but is poised for a more exciting take-off from FY 2006.



PROPERTIES



MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

INTRODUCTION

Our Property Business comprises property development and investment. These activities are principally carried out by the Company's 67% owned listed property arm, IOI Properties Berhad.

The Group's competitive advantage is in the development of self-contained townships with major development projects located in Puchong growth corridor in the Klang Valley and Southern Johor whilst property investment comprises office building and retail space located within the vicinity of our townships.

Being a township developer, IOI Properties has a range of products that can be launched in various market conditions. IOI Properties focuses on designing well planned townships with good accessibility to major highways, comprehensive amenities and landscaping. The table below sets forth certain information with respect to the performance of our property development business:

	FINANCIAL YEAR				
	2000	2001	2002	2003	2004
Units of property sold	2,417	3,564	2,090	1,963	2,880
Total sales (RM'000)	372,137	435,965	483,522	428,897	669,426
Revenue (RM'000)	418,878	423,536	538,809	509,857	685,189
EBIT (RM'000)	199,101	186,283	231,642	241,907	315,487
EBIT margin (%)	47.53	43.98	42.99	47.45	46.04

As at 30 June 2004, our development property comprised:

PROJECT	YEAR OF DEVELOPMENT COMMENCEMENT	ORIGINAL LAND SIZE (HECTARES)	STATUS	ESTIMATED GROSS DEVELOPMENT VALUE
Bandar Puchong Jaya	1990	374	Approaching completion	RM3 billion
Bandar Puteri Puchong	2000	374	On-going	RM4 billion
Bandar Putra Kulai	1995	2,299	On-going	RM10 billion
Dengkil land	–	223	In pipeline	RM2 billion

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW

The positive market sentiment resulted in much higher overall property sales especially residential properties in prime and strategic locations. On the supply side, the favourable market conditions have generated much interest amongst developers leading to considerable increase in the supply of residential properties and hence increased competition.

For the year under review, the Group sold a total of 2,880 units of properties with a total sales value of RM669.4 million against the previous year's 1,963 units at a total sales value of RM428.9 million. Property sales were particularly strong in the last two quarters of the financial year under review as house buyers take advantage to purchase houses prior to expiry of the stimulus package in May 2004.



The Puchong, Putrajaya/Cyberjaya corridor in particular where our three Klang Valley projects, namely Bandar Puteri Puchong, Bandar Puchong Jaya and IOI Resort are located, continues to enjoy good demand because of its easy accessibility through a network of new highways and further improvement in township convenience and amenities. The three Klang Valley property projects account for approximately 71% of total Group's property sales value. The opening of Bandar Puteri interchange, Giant Hypermarket and improvement in other infrastructure helped boost Bandar Puteri property sales by more than 100% with marked increased in residential as well as the shop houses. The significant increase in the sales of shop offices in Bandar Puteri has almost doubled the sales value per unit for Bandar Puteri from RM223,000 the previous year to RM442,000 for FY 2004.

Down south for our Bandar Putra Kulai ("BPK"), the Group has over the years steadily increased and completed more convenience and township facilities such as provision of shopping mall, golf and country club, landscaping and park to develop the township into a fully integrated self contained township. The improved infrastructure, availability of wide range of affordable houses and more commercial properties as well as activities continued to attract prospective property buyers. For the financial year under review, BPK enjoyed good demand although the Johor property market remains soft due to relatively high property overhang. Sales increased by 47% from RM117.5 million the previous year to RM172.7 million for FY 2004 due to its offer of "value for money" affordable housing units.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW cont'd

The sales for the various projects are as follows:

PROJECTS	UNITS		SALES VALUE (RM'MILLION)	
	FY 2004	FY 2003	FY 2004	FY 2003
Bandar Puchong Jaya	188	216	41.4	87.9
Bandar Puteri, Puchong	974	844	430.8	187.9
Bandar Putra, Kulai	1,481	711	172.7	117.5
Others	237	192	24.5	35.6
Total	2,880	1,963	669.4	428.9



The more buoyant property market resulted in an overall increase in property sales across all the price ranges. The average price per unit of properties sold for FY 2004 was RM232,000, up from RM218,000 the previous year due principally to much higher sales of residential as well as shop office units above the RM250,000 range in Bandar Puteri. The range of projects sold, summarised by price range are as follows:

PROJECTS	FY 2004		FY 2003	
	RM'MILLION	%	RM'MILLION	%
Below RM100,000	70.7	11	45.2	10
Between RM100,000 to RM150,000	56.7	8	45.8	11
Between RM150,000 to RM250,000	85.3	13	42.7	10
Between RM250,000 to RM500,000	234.4	35	112.6	26
Above RM500,000	222.3	33	182.6	43
Total	669.4	100	428.9	100

The Group's property investment portfolio comprises mainly of retail and office space totalling approximately 1.8 million sq ft of net lettable space (FY 2003 - 1.6 million sq ft), of which about 100,000 sq ft is located in Singapore. The lower occupancy and rental rate especially for IOI Plaza in Singapore had resulted in the gross rental revenue to decline by 5% to RM45.9 million from RM48.5 million. Operating profit achieved for property investments however increased by 60% to RM21.3 million, up from RM13.3 million for FY 2003 mainly because previous year's results include a charge to income of RM9.2 million in respect of the revaluation deficit of IOI Plaza in Singapore.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd

OPERATIONS REVIEW cont'd

The buoyant market conditions translated into much better financial performance for the Property Business. Total development revenue recognised by the Group for FY 2004 amounted to RM685.2 million, an increase of 34% over the previous year's RM509.9 million. Operating profit for property development activities was RM315.5 million as compared with FY 2003's RM241.9 million.

The overall property segment's operating profit for FY 2004, after taking into account property investment, was RM336.8 million against RM255.2 million for the previous financial year.

Overall NOPAT for FY 2004 was RM223.7 million vs RM168.6 million for FY 2003. Based on an average capital employed of RM1,781.4 million, the ROCE for the Group's property segment is 12.6% (FY 2003 - 10.1%).



OUTLOOK & PROSPECTS

The growth momentum for the property market is likely to moderate in the face of increasing supply. The residential housing market should nevertheless remain positive for at least the next 12 months on the back of positive Malaysian economic fundamentals and continued low mortgage rates as domestic interest rates are not expected to move up significantly in the near future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW
cont'd



* Proposed development

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

Two IOI Square
IOI Resort
62502 Putrajaya
Tel • (03) 8947 8888
Fax • (03) 8943 2266

AUDITORS

BDO Binder

Chartered Accountants

12th Floor, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel • (03) 2616 2888
Fax • (03) 2616 3191

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 Bursa Malaysia Securities Berhad

WEBSITES

www.ioigroup.com, www.myioi.com,
www.ioioi.com.my, www.croklaan.com

EMAIL ADDRESS

corp@ioigroup.com

BOARD OF DIRECTORS



**TAN SRI DATO'
LEE SHIN CHENG**
EXECUTIVE
CHAIRMAN



DATO' LEE YEOW CHOR
EXECUTIVE
DIRECTOR



DATO' YEO HOW
EXECUTIVE
DIRECTOR

BOARD OF DIRECTORS

cont'd



LEE CHENG LEANG
EXECUTIVE
DIRECTOR



**DATUK HJ MOHD
KHALIL B DATO'
HJ MOHD NOOR**
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



CHAN FONG ANN
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



**DATUK KHALID
B HJ HUSIN**
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

TAN SRI DATO' LEE SHIN CHENG

EXECUTIVE CHAIRMAN • Malaysian • Aged 65

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 Honorary 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, 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 Honorary President of Association of Eng Choon Societies of Malaysia and Federation of Hokkien Association of Malaysia.

Tan Sri is a member of the Remuneration Committee of the Company. He is also the Executive Chairman of IOI Properties Berhad and IOI Oleochemical Industries Berhad (formerly known as 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 property development business. 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 six out of the seven Board Meetings held during the financial year ended 30 June 2004.

PROFILE OF DIRECTORS

cont'd

DATO' LEE YEOW CHOR

EXECUTIVE DIRECTOR • Malaysian • Aged 38

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 IOI Oleochemical Industries Berhad (formerly known as 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 property development business. 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 all the seven Board Meetings held during the financial year ended 30 June 2004.

DATO' YEO HOW

EXECUTIVE DIRECTOR • Malaysian • Aged 48

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 21 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 IOI Oleochemical Industries Berhad (formerly known as Palmco Holdings Berhad).

He attended all the seven Board Meetings held during the financial year ended 30 June 2004.

LEE CHENG LEANG

EXECUTIVE DIRECTOR • Malaysian • Aged 56

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 seven Board Meetings held during the financial year ended 30 June 2004.

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR

INDEPENDENT NON-EXECUTIVE DIRECTOR • Malaysian • Aged 63

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 seven Board Meetings held during the financial year ended 30 June 2004.

DATUK KHALID B HJ HUSIN

INDEPENDENT NON-EXECUTIVE DIRECTOR • Malaysian • Aged 58

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 six out of the seven Board Meetings held during the financial year ended 30 June 2004.

PROFILE OF DIRECTORS

cont'd

CHAN FONG ANN

INDEPENDENT NON-EXECUTIVE DIRECTOR • Malaysian • Aged 74

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 holds 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 seven Board Meetings held during the financial year ended 30 June 2004.

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 within the past 10 years.



To safeguard the interests of all our stakeholders, we are totally committed to upholding the highest standards of corporate governance and transparency and have consistently been ranked highly in this regard. Whilst we are obviously pleased with the recognition, we are firm believers that consistently delivering value to all stakeholders year after year is what counts.. i.e. performance rather than mere conformance.

GOVERNANCE

AUDIT COMMITTEE 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 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.

TERMS OF REFERENCE cont'd

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 consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors.

AUDIT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE cont'd

4 Duties and Responsibilities cont'd

- xi 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

- xii To review any related party transaction and conflict of interest situations that may arise within the Company or the Group.

- xiii 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.

TERMS OF REFERENCE cont'd

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 and discuss results of their examinations and recommendations.
- 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 Requirements of Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- v Review of the quarterly unaudited financial results announcements of the Group and the Company prior to recommending them to the Board of Directors for consideration and approval.
- vi Review of the Internal Audit Department's resource requirement, programmes and plan for the financial year to ensure adequate coverage over the activities of the respective business units and the annual assessment of the Internal Audit Department's performance.
- 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 Listing Requirements of Bursa Malaysia Securities Berhad.

AUDIT COMMITTEE REPORT

cont'd

ACTIVITIES cont'd

Number of Meetings & Details of Attendance

8 Audit Committee meetings were held during the financial year ended 30 June 2004. 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

3 Audit Committee meetings were held subsequent to the financial year end to the date of Directors' Report and were attended by all 4 members.

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.

127 audit assignments were 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.

INTRODUCTION

The Board of Directors believes that good corporate governance practices are fundamental to the success of the Group and its continuous growth and hence is fully committed to ensuring that a high standard of corporate governance is practised throughout the IOI Group in the best interest of all the shareholders as well as other stakeholders.

The Group's corporate governance practices is 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, all of which are reflected by our performance track record over the years. Ticking off compliance checklist and mere conformance are not our key objectives. We strive instead to differentiate by consistently giving good value and performance to our stakeholders.

Specifically in relation to the principles and recommendations of the Malaysian Code on Corporate Governance ("the Code"), 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. Their intimate knowledge of the business and their "hands-on" management practices have enabled the Group to have leadership positions in its chosen industries.

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.

CORPORATE GOVERNANCE

cont'd

THE BOARD OF DIRECTORS cont'd

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 Listing Requirements of Bursa Malaysia Securities Berhad 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 53 to 56 of the Annual Report.

In his capacity as Executive Chairman, Tan Sri Dato' Lee Shin Cheng functions both as Chief Executive Officer and Chairman of the Board. 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 of Bursa Malaysia Securities Berhad and with independent consultants to advise other Board members and shareholders.

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.

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, risks issues, performance, resources and standards of conduct.

Seven Board meetings were held during the financial year ended 30 June 2004. 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	7	6
DATO' LEE YEOW CHOR	7	7
DATO' YEO HOW	7	7
LEE CHENG LEANG	7	7

THE BOARD OF DIRECTORS cont'd

Board Meetings cont'd

	TOTAL NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED
Non-executive Directors		
DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR	7	7
CHAN FONG ANN	7	7
DATUK KHALID BIN HJ HUSIN	7	6

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. Besides 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, 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. No nominations were received during the year.

CORPORATE GOVERNANCE

cont'd

THE BOARD OF DIRECTORS cont'd

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, Dato' Lee Yeow Chor and Datuk Khalid b Hj Husin 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.

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 2004 are as follows:

- 1 Aggregate remuneration of Directors categorised into appropriate components:

	FEES	SALARIES	BONUS & INCENTIVES	BENEFITS- IN-KIND	EPF	OTHERS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	428	3,177	8,702	175	1,844	107	14,433
Non-executive Directors	135	-	-	13	-	178	326

THE BOARD OF DIRECTORS cont'd

Directors' Remuneration cont'd

- 2 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 RM1,150,000	–	–
RM1,150,001 to RM1,200,000	2	–
RM1,200,001 to RM11,750,000	–	–
RM11,750,001 to RM11,800,000	1	–

For the financial year ended 30 June 2004, none of the directors was offered share options under the Company's ESOS.

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.

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.

CORPORATE GOVERNANCE

cont'd

SHAREHOLDERS cont'd

Dialogue Between the Company and Investors cont'd

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. Material facts and presentation materials given out at above functions are made available on the Group's website to provide equal opportunity of access for other shareholders and the investing public.

During the financial year, the Group had participated in approximately 5 roadshows and investor conferences and had approximately 75 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 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.

ACCOUNTABILITY AND AUDIT cont'd

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 Bursa Malaysia Securities Berhad well within the stipulated time frame.

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 Requirements of Bursa Malaysia Securities Berhad, 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 Listing Requirements of Bursa Malaysia Securities Berhad 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 ("the Code").

The Board is pleased to present hereinafter the annual update on the Group's state of internal controls plus work done during the year under review.

ACKNOWLEDGEMENT OF RESPONSIBILITIES

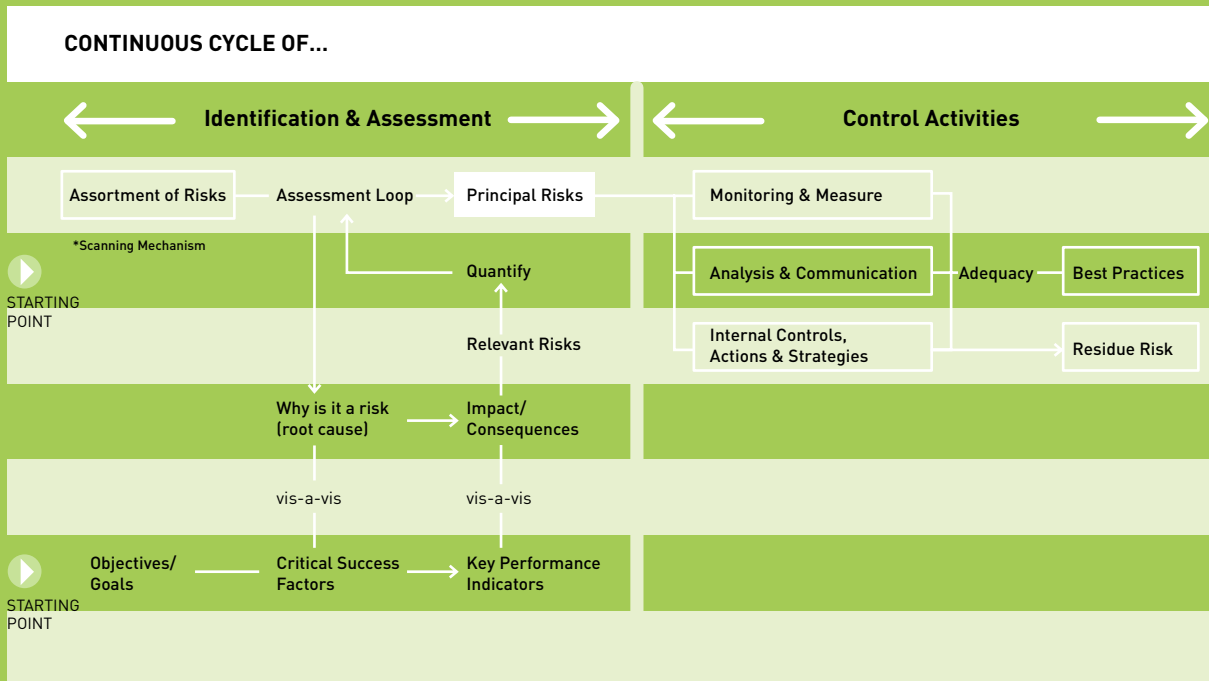
The Board of Directors affirms that it is ultimately responsible for the Group's systems on internal controls that includes the assurance of its adequacy and integrity at all times, and its alignment with our business objectives. However, it should be noted that these systems are designed to manage rather than to 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 AND STATE OF INTERNAL CONTROLS

Since inception, our approach to internal controls has always been holistic and process embedded covering all aspects of the businesses and functions such as strategic controls, organisational controls, operational controls, financial controls, and administrative and compliance controls. These controls which are integrated are designed to manage both internal and external risks in order to optimise the Group's ability to achieve its Vision and objectives. Our historical best practices in risk management has since 2002 been formalised in our Enterprise Risk Management framework which in the Board's opinion, provides an adequate and satisfactory mechanism for on-going process of identification, evaluation, managing, and monitoring of significant risks. In that regard, the Board affirms that the state of internal control of the Group is satisfactory and adequate in addressing its principal risks.

NATURE AND STATE OF INTERNAL CONTROLS cont'd

Enterprise Risk Management (ERM) Framework – IOI Group's ERM Framework



The illustration above summarises our ERM framework. Both risks “identification & assessment” and “control activities” phases are constantly on-going at the strategic, mid-management, and operational levels of the organisation’s hierarchy. The framework helps reinforce our decisions in implementing best practice controls on key processes that commensurate with given risks.

ERM as Strategic Tool

As much as risks give rise to the need for controls, we consciously look out for opportunities arising from risks and uncertainties. In that regard, we adopt risk management also as a strategic tool in strategy formulation, investment and resource allocation, and as catalyst for innovation and best practice initiatives.

Information Systems

Central to our Internal Control efforts is our Information Systems that provide the means for monitoring and communication of Key Performance Indicators that relates to internal and external risks. 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.

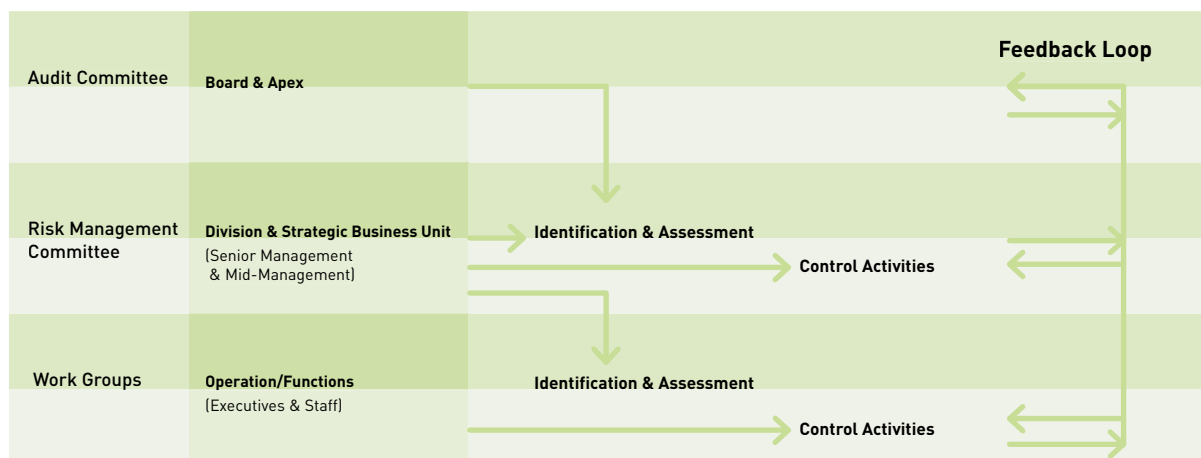


STATEMENT ON INTERNAL CONTROL

cont'd

WORK DONE FOR YEAR UNDER REVIEW

The illustration below summarises the work done throughout the hierarchy of the organisation.



Work Groups at the operational levels oversaw the implementation of various control activities and action plans proposed or formulated since the last reporting period. The Work Groups also worked with both line-personnel and mid-management in identifying emerging or re-rated risks and proposed new action plans for the period under review. These action plans were evaluated and endorsed for implementation on a timely basis by mid and/or senior management. On a bi-annual basis, the Risk Management Committee would preside to formally review the progress of each Work Group and the risk management work undertaken at each business unit - particularly with regards to the status of implementation of action plans to address emerging or re-rated risks. The Risk Management Committee reports to the Audit Committee. Besides formal meetings, members of the Risk Management Committee, Audit Committee, and the Board also constantly monitor and review the aforementioned from the Group's Intranet with web applications that facilitate communication of risk alerts and status of internal controls. The "feedback loop" mechanism allowed year round timely interaction throughout the hierarchy and business units of the Group in managing the organisation's principal risks.

To preserve competitive confidentiality, we choose not to disclose the major initiatives and control action plans undertaken in the period reviewed. Nevertheless, the Board wish to assure that the work done under period reviewed is comprehensive and congruent with the Group's overall risk management objectives.

BOARD'S CONCLUSION

The Board is pleased to disclose that the state of the Group's Internal Control System is sufficiently in line with the Code and the Guidelines (on Statement on Internal Control) issued by Bursa Malaysia Securities Berhad. There is no material control failure or weakness that would have resulted in material loss that requires 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 internal 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 controls
- Representation from the Risk Management Committees that preside bi-annually to review and endorse the risk review reports submitted by each business unit and its Work Groups

STATEMENT OF DIRECTORS' INTERESTS

IN THE COMPANY AND
RELATED CORPORATIONS
AS AT 3 SEPTEMBER 2004

NAME OF DIRECTOR	DIRECT	%	INDIRECT	%
THE COMPANY				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	9,688,983	0.86	422,904,629	37.71
Dato' Lee Yeow Chor	628,000	0.06	382,459,320	34.10
Dato' Yeo How	300,000	0.03	–	–
Lee Cheng Leang	150,000	0.01	–	–
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	0.01	–	–
Chan Fong Ann	1,347,500	0.12	33,301,000	2.97
Datuk Khalid b Hj Husin	–	–	–	–
SUBSIDIARIES				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
Tan Sri Dato' Lee Shin Cheng	810,200	0.24	2,009,800	0.61
Dato' Lee Yeow Chor	15,000	–	2,009,800	0.61
Dato' Yeo How	4,000	–	–	–
Chan Fong Ann	11,200	–	–	–
Kapar Realty And Development Sdn Berhad				
<i>No. of ordinary shares of RM1,000 each</i>				
Tan Sri Dato' Lee Shin Cheng	100	27.03	–	–

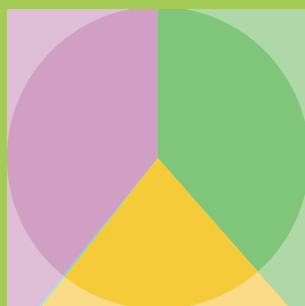
Executive Share Option Scheme of the Company

NAME OF DIRECTOR	OPTION PRICE	NO. OF OPTIONS
Dato' Lee Yeow Chor	RM5.20	500,000
Dato' Yeo How	RM5.20	100,000

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 38.5%
- Other Malaysian Body Corporate & Individuals 22.1%
- Government & Other Related Agencies 0.2%
- Foreigners 39.2%

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 2004 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOI Corporation Berhad ("IOI") Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2004 are 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 Pamol Plantations Sdn Bhd (4)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	8,442
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 (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	21,421

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE 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 (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	972
Dynamic Management Sdn Bhd (1)	Rental of properties by Halusah Ladang Sdn Bhd (5)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	420
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 (9) 	60,750
Palmco Plantations (Sabah) Sdn Bhd (4)	Purchase of estate produce by Ladang Sabah Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (10) • Dato' Lee Yeow Chor (11) • Dato' Yeo How (12) 	22,819
Palmco Oil Mill Sdn Bhd and Acidchem International Sdn Bhd (4)	Sale of palm kernel oil, stearin and other palm oil products by IOI Edible Oils Sdn Bhd and IOI Specialty Fats Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (10) • Dato' Lee Yeow Chor (11) • Dato' Yeo How (12) 	127,554
Palmco Oil Mill Sdn Bhd, Pamol Plantations Sdn Bhd, and Pamol Estates (Sabah) Sdn Bhd (4)	Purchase of palm oil products by IOI Commodity Trading Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (10) • Dato' Lee Yeow Chor (11) • Dato' Yeo How (12) 	276,395
Palmco Plantations (Sabah) Sdn Bhd, Pamol Plantations Sdn Bhd, Pamol Estates (Sabah) Sdn Bhd and Milik Berganda Sdn Bhd (4)	Management of oil palm estates by Halusah Ladang Sdn Bhd and IOI Corporation Berhad	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (10) • Dato' Lee Yeow Chor (11) • Dato' Yeo How (12) 	4,929

OTHER INFORMATION

cont'd

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE cont'd

RELATED PARTIES	TYPE OF RECURRENT RELATED PARTY TRANSACTIONS	INTERESTED DIRECTORS/ MAJOR SHAREHOLDERS AND PERSONS CONNECTED	VALUE OF TRANSACTIONS RM'000
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 [13] • Puan Sri Datin Hoong May Kuan [14] • Dato' Lee Yeow Chor [15] • Lee Yoke Har [16] 	9,531
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 [17] • Datuk Koh Kin Chee [18] • Richard Koh Kin Lip [19] 	8,014
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 [20] • Puan Sri Datin Hoong May Kuan [21] • Dato' Lee Yeow Chor [22] • Datuk Koh Kin Chee [23] • Richard Koh Kin Lip [24] 	12,484
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 [25] • Puan Sri Datin Hoong May Kuan [26] • Dato' Lee Yeow Chor [27] • Madam Lai Ming Chun @ Lai Poh Lin [28] • Datuk Koh Kin Chee [29] • Richard Koh Kin Lip [30] 	4,856
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 [25] • Puan Sri Datin Hoong May Kuan [26] • Dato' Lee Yeow Chor [27] • Madam Lai Ming Chun @ Lai Poh Lin [28] • Datuk Koh Kin Chee [29] • Richard Koh Kin Lip [30] 	38,535

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE cont'd

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 (4)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (25) • Puan Sri Datin Hoong May Kuan (26) • Dato' Lee Yeow Chor (27) • Madam Lai Ming Chun @ Lai Poh Lin (28) • Datuk Koh Kin Chee (29) • Richard Koh Kin Lip (30) 	17,226
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 (31) 	7,028
Chop Lam Soon	Purchase of fertilizer by IOI which were subsequently distributed to various subsidiaries	<ul style="list-style-type: none"> • Lim Boon Kim (32) 	18,846
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 (33) • Puan Sri Datin Hoong May Kuan (34) • Dato' Lee Yeow Chor (35) 	3,434

OTHER INFORMATION

cont'd

NOTES

- 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 Subsidiaries of IOI Oleochemical Industries Berhad (formerly known as Palmco Holdings Berhad)("IOI Oleo").
- 5 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.
- 6 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and IOI Properties and he is a Major Shareholder of IOI and holds 221,121,500 shares representing 66.49% stake in IOI Properties.
- 7 Dato' Lee Yeow Chor is a Director of IOI and IOI Properties and he is a Major Shareholder of IOI and holds 220,311,300 shares representing 66.24% stake in IOI Properties.
- 8 Dato' Yeo How is a Director of IOI and IOI Properties and he holds 4,000 shares representing less than 0.01% stake in IOI Properties.
- 9 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.
- 10 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and IOI Oleo and he is a Major Shareholder of IOI.
- 11 Dato' Lee Yeow Chor is a Director of IOI and IOI Oleo and he is a Major Shareholder of IOI.
- 12 Dato' Yeo How is a Director of IOI and IOI Oleo and he holds 110,000 shares representing 0.01% stake in IOI.
- 13 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.
- 14 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and BA.
- 15 Dato' Lee Yeow Chor is a Major Shareholder of IOI and BA and a Director of IOI and BA.
- 16 Ms Lee Yoke Har is a Director of certain subsidiaries of IOI and BA and she is the daughter of and accordingly, a person connected to Tan Sri Dato' Lee Shin Cheng.
- 17 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.
- 18 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and Right Purpose and he is a Major Shareholder of Right Purpose.
- 19 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.
- 20 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Pine Capital Sdn Bhd ("Pine Capital").
- 21 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Pine Capital.
- 22 Dato' Lee Yeow Chor is a Major Shareholder of IOI and Pine Capital and he is a Director of IOI.
- 23 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and a Major Shareholder of Pine Capital.
- 24 Mr Richard Koh Kin Lip is a Director of certain subsidiaries of IOI and a Major Shareholder of Pine Capital.
- 25 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Mayvin Incorporated Sdn Bhd ("Mayvin").
- 26 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Mayvin.
- 27 Dato' Lee Yeow Chor is a Major Shareholder of IOI and Mayvin and he is a Director of IOI.
- 28 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.
- 29 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and he is a Major Shareholder of Mayvin.
- 30 Mr Richard Koh Kin Lip is a Director of certain subsidiaries of IOI and Mayvin and he is a Major Shareholder of Mayvin.
- 31 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and he is a Major Shareholder of Affinity Future Sdn Bhd.
- 32 Mr Lim Boon Kim is a Director of certain subsidiaries of IOI and he is the owner of Chop Lam Soon.
- 33 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Malayapine Estates Sdn Bhd ("Malayapine").
- 34 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Malayapine.
- 35 Dato' Lee Yeow Chor is a Director of IOI and Malayapine and he is a Major Shareholder of IOI.

NOTES cont'd

- 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 Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") with regard to value of related party transactions of a revenue nature conducted pursuant to 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 29 September 2003.

**COMPARISON OF ACTUAL PROFIT WITH FORECASTED PROFIT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

	ACTUAL RM'MILLION	FORECAST RM'MILLION
Profit after taxation and minority interests	701.6	618.0*
Profit after taxation and minority interests as forecasted	618.0	
Higher net operating profit from property segment	53.2	
Lower net operating profit from plantation segment	(40.6)	
Lower interest expenses	19.0	
Higher share of results of associates	12.5	
Lower tax expenses	45.6	
Others	(6.1)	
Actual profit after taxation and minority interest	701.6	

* As stated in the Circular to Shareholders dated 8 October 2003

SENIOR MANAGEMENT TEAM

GROUP CHIEF EXECUTIVE OFFICER

TAN SRI DATO LEE SHIN CHENG

GROUP EXECUTIVE DIRECTORS

DATO' LEE YEOW CHOR

DATO' YEO HOW

LEE CHENG LEANG

PLANTATION

GROUP PLANTATION DIRECTOR

DATO' FOONG LAI CHOONG

EXECUTIVE DIRECTOR, SABAH

LAI POH LIN

GENERAL MANAGER

GROUP COMMODITIES MARKETING

YONG CHIN FATT

GENERAL MANAGER, MILL &
ENGINEERING

LEE AH KOW

GENERAL MANAGER, SANDAKAN

TAN PENG CHAN

PLANTATION CONTROLLERS

GOH HOCK SIN

LEE FOO WAH

TAY CHING AN

TEE KE HOI

RESEARCH CONTROLLER

CHRISTOPHER RICHARD DONOUGH

CHIEF ACCOUNTANT

LIM EIK HOY

REFINERY

GENERAL MANAGER

WONG CHEE KUAN

ASSISTANT GENERAL MANAGER

SUDHAKARAN A/L NOTTATH

BHASKAR

PROPERTY

PROPERTY DIRECTOR

DAVID TAN THEAN THYE

GENERAL MANAGER

SIMON HENG KWANG HOCK

ACTING GENERAL MANAGER

LIM BENG YEANG

ASSISTANT GENERAL MANAGER

LEE THIAN YEW

SENIOR COMPLEX MANAGER

RONNIE AURTHUR FRANCIS

CHIEF ACCOUNTANT

MICHAEL CHAI CHEE LOONG

OLEOCHEMICALS

CHIEF OPERATING OFFICER/
EXECUTIVE DIRECTOR

LEE SING HIN

DEPUTY CHIEF OPERATING
OFFICER

TAN KEAN HUA

FINANCIAL CONTROLLER

CHAN CHOUNG YAU

SPECIALTY OILS AND FATS

CHIEF EXECUTIVE OFFICER,
LODERS CROKLAAN

ETIENNE SELOSSE

EXECUTIVE DIRECTORS

CYRIL CLARK

DAVID MASTERS

HOTEL

GENERAL MANAGERS

OTTO PAUL SEEMANN

MUHAMAD ARIFF NG

GOLF CLUB

ASSISTANT GENERAL MANAGER

LIM HOCK SENG

CORPORATE

SPECIAL PA TO GROUP CHIEF
EXECUTIVE OFFICER

LEE YEOW SENG

GROUP LEGAL ADVISER/
COMPANY SECRETARY

LEE AI LENG

SENIOR MANAGER,
CORPORATE PLANNING

CHOO KAH YEAN

SENIOR MANAGER,
CORPORATE FINANCE

KONG CHEE KHOON

SENIOR MANAGER,
CORPORATE AFFAIRS

LAM KAM CHOONG

SENIOR MANAGER,
LEGAL/GROUP OPERATIONS

LEE YOKE HAR

GROUP ACCOUNTANT

SOON YEONG CHYAN

COMPANY SECRETARY

YAP CHON YOKE

INTERNAL AUDIT

INTERNAL AUDIT MANAGERS

FAN SZE SZE

PRITHIPAL SINGH

GROUP BUSINESS STRUCTURE

		
<p>PLANTATION</p> <p>Plantation Subsidiaries</p> <ul style="list-style-type: none"> Oil Palm Rubber CPO Mill Latex Concentrate 	<p>RESOURCE-BASED MANUFACTURING</p> <p>IOI Oleochemical Industries Berhad Group*</p> <ul style="list-style-type: none"> Oleochemicals <p>IOI Edible Oils Sdn Bhd</p> <ul style="list-style-type: none"> Palm Oil Refinery Palm Kernel Crushing <p>Loders Crocklaan</p> <ul style="list-style-type: none"> Specialty Oils and Fats 	<p>PROPERTY DEVELOPMENT & INVESTMENT</p> <p>IOI Properties Berhad Group*</p> <p>Property subsidiaries</p> <ul style="list-style-type: none"> Township Development Shopping Mall Office Complex Hotel Resorts

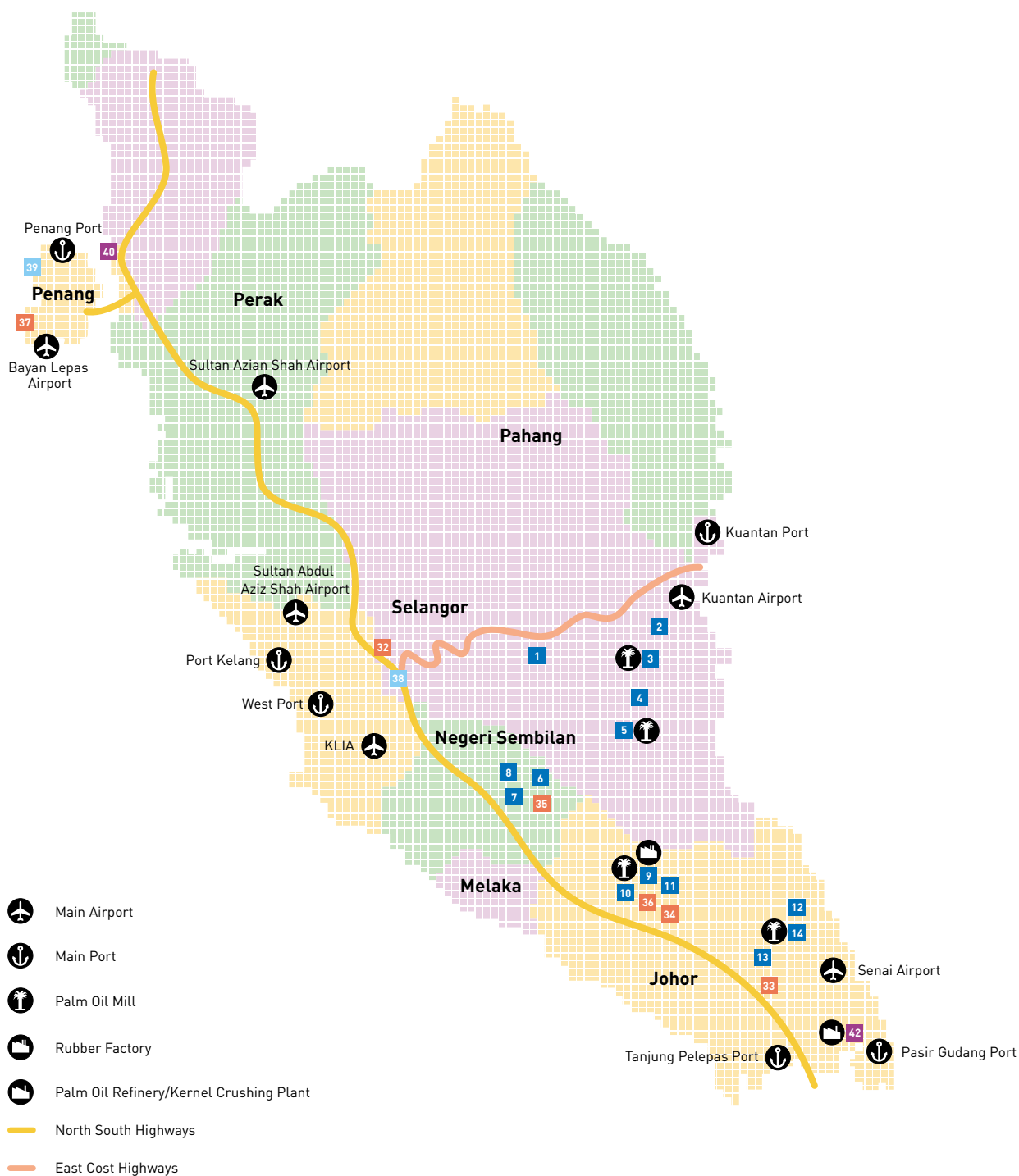
* Companies listed on Bursa Malaysia Securities Berhad

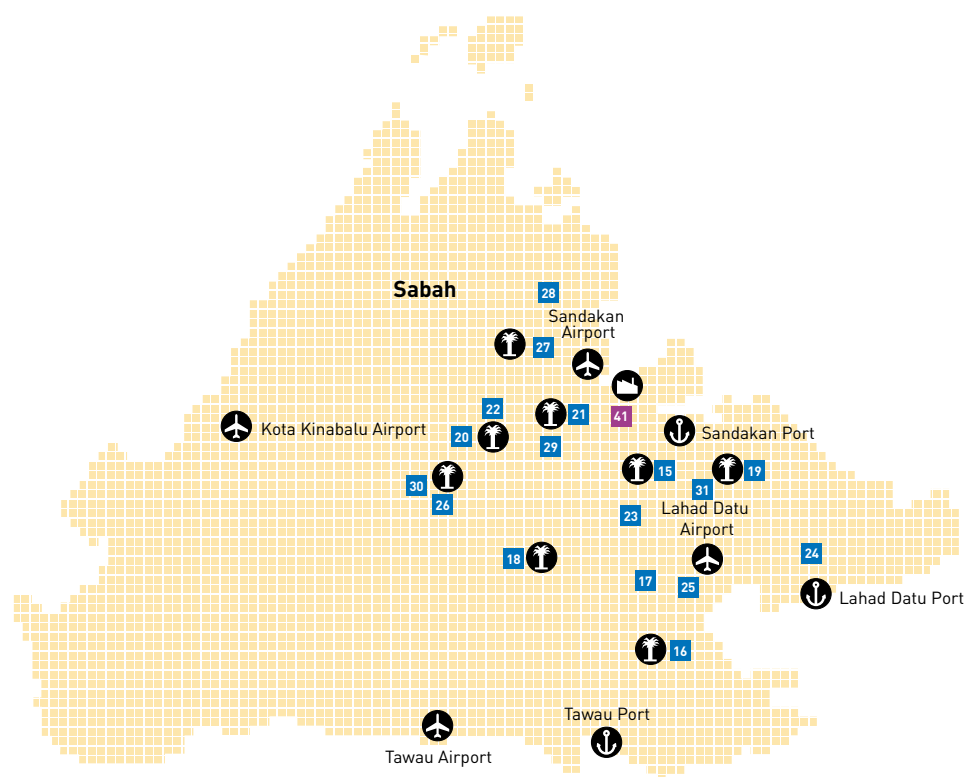
GLOBAL PRESENCE





LOCATION OF OPERATIONS IN MALAYSIA





Plantation

- 1 Bukit Dinding Estate
- 2 Detas Estate
- 3 Bukit Leelau Estate
- 4 Mekassar Estate, Merchong Estate, Leepang A Estate and Laukin A Estate
- 5 Pukin Estate and Shahzan IOI Estate
- 6 Regent Estate
- 7 IOI Research Centre
- 8 Bahau Estate and Kuala Jelei Estate
- 9 Gomali Estate, Paya Lang Estate and Tambang Estate
- 10 Bukit Serampang Estate and Sagil Estate
- 11 Segamat Estate
- 12 Segment Estate
- 13 Swee Lam Estate
- 14 Pamol Kluang
- 15 Morisem Estate
- 16 Baturong Estate
- 17 Halusah Estate
- 18 Syarimo Estate
- 19 Permodalan Estate
- 20 Laukin Estate
- 21 Sakilan Estate
- 22 Ladang Sabah Estate, IOI Lab and Sandakan Regional Office
- 23 Tas Estate
- 24 Cantawan Estate
- 25 Lahad Datu Regional Office
- 26 Tangkulap Estate and Bimbingan Estate
- 27 Pamol Sabah Estate
- 28 Sugut Estate
- 29 Linbar Estate
- 30 Mayvin Estate
- 31 Leepang Estate

Property Development

- 32 Bandar Puchong Jaya and Bandar Puteri Puchong
- 33 Bandar Putra Kulai
- 34 Bandar Putra Segamat
- 35 Taman Regent
- 36 Sagil Resort
- 37 Desaria Sungai Ara

Resort

- 38 IOI Resort, Putrajaya (Putrajaya Marriott Hotel, Palm Garden Hotel and Palm Garden Golf Club)
- 39 Casuarina Beach Resort

Resource-based Manufacturing

- 40 IOI Oleochemical Operations
- 41 IOI Palm Oil Refinery/Kernel Crusing Plant
- 42 Soctek Refinery/Specialty Fats Operations

CORPORATE CALENDAR

OCT 2003	Palmco Holding Berhad renamed "IOI Oleochemicals Industries Berhad" as of 25 October 2003.
	IOI Corporation Berhad acquired 55 ordinary shares of USD1.00 each held in Projects IOI (Maritius) Ltd.
	IOI Corporation Berhad relocated its' Group Head Office to its new office building, IOI Square located in IOI Resort, Putrajaya as of 30th October 2003 as part of its strategic business operation plan.
NOV 2003	IOI Corporation Berhad acquired 21,722 hectares of oil palm estates and a palm oil mill in Sabah via acquisition of 5 plantation companies for a total consideration of RM592.9 million.
JAN 2004	The 12-acre Bandar Puteri Town Park, developed by IOI Properties Berhad was opened by Puchong Assemblyman YB Datuk Mohamad Satim Diman and IOI Properties Group Executive Director, Dato' Lee Yeow Chor on 11 January 2004. The town park has a jogging path skirting a pond, landscaped gardens, a fully equipped par course, reflexology path, suspension bridges, playground and benches.
FEB 2004	IOI Corporation Berhad, IOI Oleochemicals Industries Berhad and IOI Properties Berhad was reaffirmed by Rating Agency Malaysia (RAM) with ratings of AA3/P1, A1/P1 AND AA3/P1 respectively. The AA3 rating indicates high safety of timely repayment of debt obligations in the long term whilst the P1 rating indicates strong safety with regards to timely repayment of debt obligations in the short term. The A1 & P1 accords respective long and short term senior debt rating with a positive outlook.
MAR 2004	IOI Corporation Berhad ranked 2nd among the top 20 public listed companies under Bursa Saham during a recent survey on corporate governance practices. According to Malaysian Institute of Corporate Governance (MICG), companies like IOI Corporation Berhad have high overall corporate governance reporting scores because they are always in the top five in at least seven of the eight attributes, showing general consistency in their performance.



APR 2004	IOI Corporation Berhad was ranked 5th among the "Best Managed Companies" in Malaysia in a poll conducted by Finance Asia Magazine. The two month poll was carried out among fund managers, portfolio managers, equity investors and research analysts who voted on companies they thought were the best companies in Asia. IOI also won 4th placing under the categories of "Best Investor Relations" and "Most Committed to Strong Dividend Policy" respectively. Adding to the kudos, our Group Executive Director, Dato' Yeo How was also placed second for the "Best CFO" Award.
MAY 2004	<p>Loders Croklaan commenced construction of Europe's largest palm oil refinery and fractionation plant in Rotterdam that will cost about EUR40 million (RM180 million). It will be the world's largest single-site palm oil refinery in Rotterdam.</p> <p>IOI Corporation Berhad entered into a conditional share sale agreement with IOI Properties Berhad for the disposal of the entire issued and paid-up share capital of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd for a total disposal consideration of RM44.3 million and RM338.5 million respectively.</p>
AUG 2004	IOI Properties Berhad entered into a sale and purchase agreement with Upright Properties Sdn Bhd for the acquisition of 2,000,000 ordinary shares of RM1.00 each or 40% interest in Nice Skyline Sdn Bhd for a total consideration of RM15.0 million.
SEP 2004	<p>Loders Croklaan Group B. V. acquired the entire issued and paid-up share capital of Soctek Sdn Bhd ("Soctek") for a total cash consideration of RM1.4 million and settled the shareholder loan and advances of RM87.7 million owing by Soctek and its wholly owned subsidiary Soctek Edible Oils Sdn Bhd to the vendor and the vendor's related persons.</p> <p>IOI Corporation Bhd and its subsidiary IOI Investment (L) Berhad completed the issuance of USD310 million (RM1.18 billion) five-year zero coupon unsecured exchangeable bonds by IOI Investment (L) Berhad.</p>



SOCIAL CONTRIBUTIONS

Palm Garden Hotel and Palm Garden Golf Club organised an annual Charity Run in aid of the Desa Amal Jireh Charity Village whereby the participants were treated to breakfast after the run and prize giving.

IOI Group made a contribution of RM10,000 to the Malaysian Charity Draw program under the umbrella auspices of the Persatuan Pemulihan Orang-orang Cacat Selangor and Wilayah Persekutuan (PPOC).

The Malaysia-Russia Business Forum aims to strengthen bilateral business and economic cooperation between Malaysia and Russia and builds on the successful Malaysia-Russia Business Forum in Moscow. IOI was the proud Corporate Sponsor for the event which was held on 5th August 2003.

IOI made a contribution of RM15,000 to "Tabung Kebajikan Pendidikan Pelajar Miskin Luar Bandar" to assist the Government sector in finding ways to overcome and assist the underprivileged students to obtain a proper education in rural areas.

Palm Garden Hotel held a charity buka puasa function for 100 orphans from Rumah Kanak-kanak Kampung Damai and 30 orphans from Taman Pendidikan Anak-anak Yatim Darul Kifayah.

In conjunction with the Hari Raya celebrations, Palm Garden Hotel held a Charity Hi Tea for 150 spastic children and poor families from the welfare department. The function was co-sponsored by Kumpulan Karangraf, where Media Hiburan brought in several local artistes to perform for the under privileged children and families.

The Yayasan Tan Sri Dato' Lee Shin Cheng's Young Achievers' Awards programme was held at IOI Research Centre on 18 Dec 2003 whereby outstanding scholastic achievers in the UPSR, PMR, SPM and STPM category were given awards in the categories of gold, silver, bronze and commendation.



SOCIAL CONTRIBUTIONS

cont'd

As part of IOI Mall's community project, a charity event entitled "The Tree of Hopes Charity Campaign" was launched whereby its primary objective was to raise funds and to encourage the spirit of giving among the shoppers. The proceeds of the message cards and donations were donated to Rumah Charis.

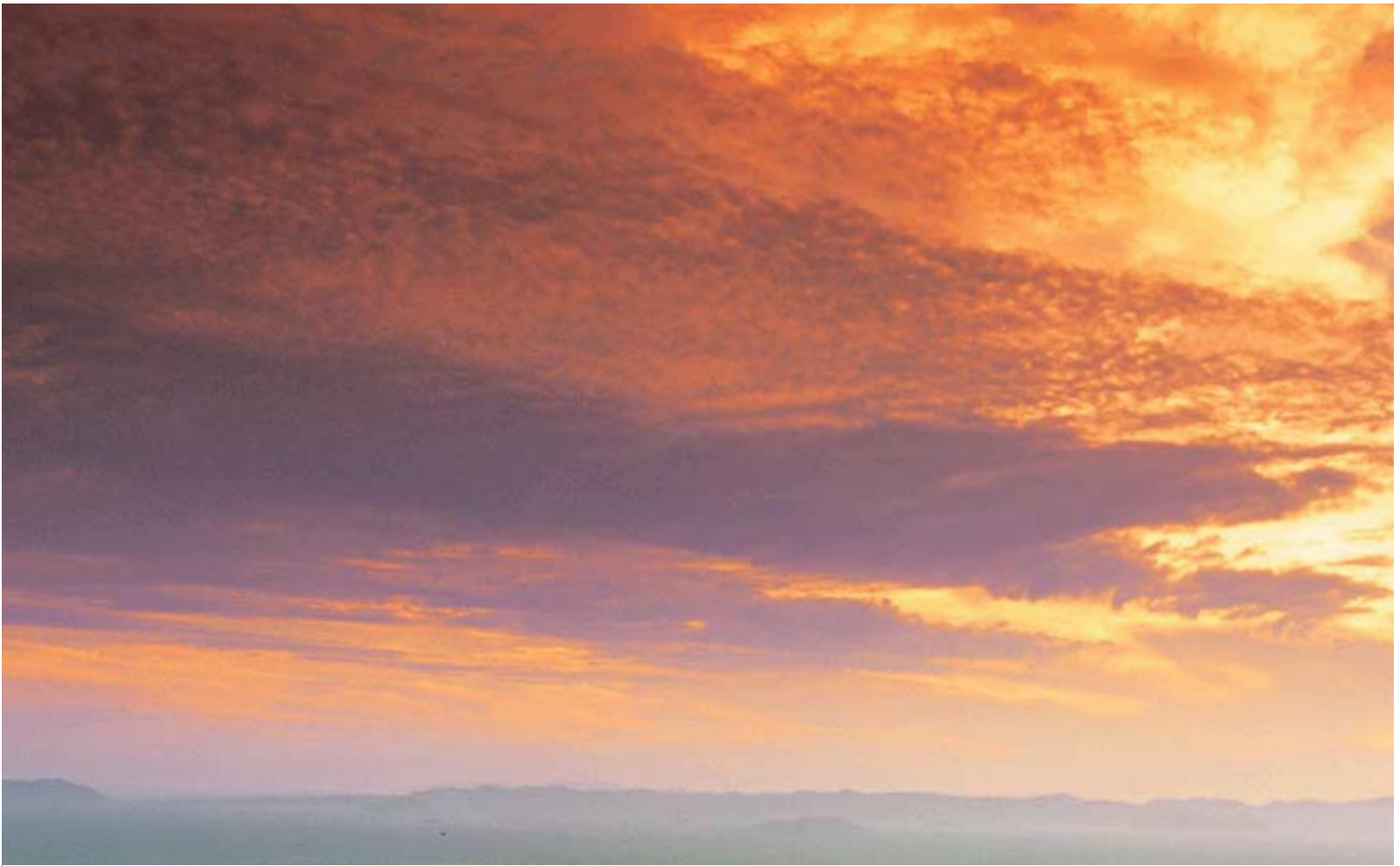
Valentine's Day is a time to show appreciation for the one you love and with that in mind, the staff of Palm Garden Golf Club paid a visit to the residents of Desa Amal Jireh - Rumah Faith and Faith's Eagle Nest. With cash collected from the various staff activities during 2003, representatives from each department spent a day with the children.

During the Mother's Day celebration Palm Garden Hotel joined hands with Abracadabra Events to organize a special event for homeless women from Rumah Sri Kenangan. The event was graciously attended by the Minister of Women, Family and Community Development, YB Datuk Shahrizat Abdul Jalil. The ladies and their families were entertained by an International artist, Ferhad who belted out several songs.

IOI Group was a co-sponsor for the 3rd Inter Malaysian Accounting Groups (IMAG) Golf Tournament & Fund-raising for MACPA Educational Trust Fund. The tournament was to raise funds for the MACPA Educational Trust Fund which promotes education and research in accountancy as well as strengthen fellowship amongst members of the accountancy profession, business sector and Government and regulatory bodies.

Palm Garden Hotel organised a successful blood donation drive in collaboration with National Blood Bank and managed to obtain 64 qualified donors out of the approximately 100 staff who attended the social charity project by the Hotel.





IOI CORPORATION BERHAD



FINANCIAL STATEMENTS

Directors' Report	092
Income Statements	102
Balance Sheets	103
Statements of Changes in Equity	104
Cash Flow Statements	107
Notes to the Financial Statements	111
Statement by Directors	197
Statutory Declaration	197
Report of the Auditors	198

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 2004.

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.

FINANCIAL RESULTS

The audited results of the Group and of the Company for the financial year ended 30 June 2004 are as follows:

	GROUP RM'000	COMPANY RM'000
Profit before taxation	1,112,045	257,066
Taxation	(220,429)	(60,949)
Profit after taxation	891,616	196,117
Minority interests	(190,066)	-
Net profit attributable to shareholders	701,550	196,117

DIVIDENDS

A second interim tax-exempt dividend of 20% in respect of the financial year ended 30 June 2003 amounting to RM104,417,669 was paid on 18 September 2003 as dealt with in the Directors' Report of that financial year. In addition, the Company paid an amount of RM231,700 in respect of the same dividend payment to account for the issue of 2,317,000 new shares arising from the exercise of options granted under the Executive Share Option Scheme subsequent to the financial year-end but before the book closure for dividend entitlement.

On 17 February 2004, the Directors declared an interim dividend of 24% less income tax amounting to RM97,376,688 in respect of the financial year ended 30 June 2004. The dividend was paid on 19 March 2004, to shareholders whose names appear in the Record of Depositors at the close of business on 9 March 2004.

On 16 August 2004, the Directors declared a second interim dividend of 26% less income tax in respect of the financial year ended 30 June 2004. The dividend is payable on 20 September 2004, to shareholders whose names appear in the Record of Depositors at the close of business on 3 September 2004. Based on the outstanding issued and paid-up ordinary shares of the Company as at 30 June 2004 of 1,123,163,090, the second interim dividend amounts to RM105,128,065.

No final dividend is recommended for the financial year ended 30 June 2004.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

- i 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share arising from the acquisition of interest in 21,722 hectares of oil palm estates and a palm oil mill in Sabah; and
- ii 12,329,000 new ordinary shares of RM0.50 each for cash arising from the exercise of options granted under the Company's Executive Share Option Scheme as follows:

NO. OF SHARES	ISSUE PRICE PER SHARE
568,000	RM2.13
74,000	RM2.37
499,000	RM2.61
1,310,000	RM2.71
959,000	RM3.58
732,000	RM3.77
8,007,000	RM5.20
180,000	RM6.90

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.

TREASURY SHARES

During the financial year, the Company repurchased 5,447,900 of its issued share capital from the open market. The average price paid for the shares repurchased was RM7.99 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act 1965. None of the treasury shares has been resold or distributed as share dividends during the financial year.

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 previous 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.

DIRECTORS' REPORT

cont'd

EXECUTIVE SHARE OPTION SCHEME cont'd

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

- i 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.
- ii 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.
- 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 Bursa Malaysia Securities Berhad ("BMSB") 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 within the Group.

DIRECTORS' REPORT

cont'd

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				
		OFFERED				AS AT 30 JUNE 2004
		AS AT 1 JULY 2003	AND ACCEPTED	EXERCISED	LAPSED	
RM2.71	11 May 1995	1,438,000	–	1,310,000	–	128,000
RM2.61	10 January 1996	145,000	–	145,000	–	–
RM3.77	8 November 1996	826,000	–	732,000	–	94,000
RM2.61	27 August 1997	551,000	–	354,000	15,000	182,000
RM2.13	23 December 1998	35,000	–	35,000	–	–
RM2.13	1 December 1999	574,000	–	533,000	–	41,000
RM2.37	6 January 2001	76,000	–	74,000	–	2,000
RM3.58	28 December 2001	1,046,000	–	959,000	18,000	69,000
RM5.20	10 June 2003	10,893,000	–	8,007,000	89,000	2,797,000
RM6.90	14 November 2003	–	1,320,000	180,000	–	1,140,000
	Total	15,584,000	1,320,000	12,329,000	122,000	4,453,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders who are granted options during the financial year to subscribe for less than 600,000 shares in the Company.

Option holders who have been granted options during the financial year to subscribe for 600,000 shares and above are as follows:

NAME OF OPTION HOLDERS	NO. OF	
	OPTION PRICE	SHARE OPTIONS
Dato' Foong Hong Meng @ Foong Lai Choong	RM6.90	720,000
Tan Thean Thye	RM6.90	600,000

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' REPORT

cont'd

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, Dato' Lee Yeow Chor and Datuk Khalid b Hj Husin 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 of the Company and its related corporations are as follows:

	AS AT 1 JULY 2003	ACQUIRED	DISPOSED	AS AT 30 JUNE 2004
Direct Interests				
THE COMPANY				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	5,449,051	2,739,932	–	8,188,983
Dato' Lee Yeow Chor	378,000	3,039,932	2,789,932	628,000
Dato' Yeo How	210,000	900,000	810,000	300,000
Lee Cheng Leang	148,000	700,000	698,000	150,000
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	–	–	65,000
Chan Fong Ann	1,347,500	–	–	1,347,500
SUBSIDIARIES				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
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

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS cont'd

	AS AT 1 JULY 2003	ACQUIRED	DISPOSED	AS AT 30 JUNE 2004
Direct Interests cont'd				
SUBSIDIARIES cont'd				
Kapar Realty And Development Sdn Berhad				
<i>No. of ordinary shares of RM1,000 each</i>				
Tan Sri Dato' Lee Shin Cheng	100	–	–	100
Indirect Interests				
THE COMPANY				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	371,469,029	49,446,132	2,789,932	418,125,229
Dato' Lee Yeow Chor	343,743,649	34,026,271	–	377,769,920
Chan Fong Ann	33,785,500	–	484,500	33,301,000
SUBSIDIARY				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
Tan Sri Dato' Lee Shin Cheng	3,079,400	–	1,164,800	1,914,600
Dato' Lee Yeow Chor	3,079,400	–	1,164,800	1,914,600

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 1 JULY 2003	OFFERED		AS AT 30 JUNE 2004
			AND ACCEPTED	EXERCISED	
Tan Sri Dato' Lee Shin Cheng	RM2.71	500,000	–	500,000	–
Tan Sri Dato' Lee Shin Cheng	RM5.20	1,500,000	–	–	1,500,000
Dato' Lee Yeow Chor	RM2.61	220,000	–	220,000	–
Dato' Lee Yeow Chor	RM3.77	80,000	–	80,000	–
Dato' Lee Yeow Chor	RM5.20	1,000,000	–	500,000	500,000
Dato' Yeo How	RM5.20	1,000,000	–	900,000	100,000
Lee Cheng Leang	RM5.20	700,000	–	700,000	–

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 the shares of the Company or its related corporations.

DIRECTORS' REPORT

cont'd

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 36 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.

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 for 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 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 Acquisition of Interest in Oil Palm Estates and Palm Oil Mill in Sabah

On 23 October 2003, the Company obtained shareholders' approval at an Extraordinary General Meeting for the several conditional sale and purchase agreements 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 palm oil 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 Directors and/or major shareholders of the Company who are interested or deemed to be interested in the 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 acquisition was completed on 7 November 2003 with a revision in the purchase consideration from RM607.7 million to RM592.9 million satisfied by the issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share and RM218.0 million by cash.

DIRECTORS' REPORT

cont'd

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

b Proposed Disposal of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd

On 24 May 2004, the Company entered into a conditional share sale agreement with its subsidiary, IOI Properties Berhad ("IOIPB") for the disposal of:

- i 1,000,000 ordinary shares of RM1.00 each and 320,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Golf Course Development Sdn Bhd for a consideration of RM44,264,000; and
- ii 3,000,000 ordinary shares of RM1.00 each and 2,100,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Development Sdn Bhd for a consideration of RM338,495,000.

The total consideration of RM382,759,000 will be satisfied by the issuance of 30,000,000 new ordinary shares of RM1.00 each in IOIPB at a proposed price of RM7.70 per share and RM151,759,000 by cash.

The proposed disposal is still pending approvals from the relevant authorities and the shareholders of the Company and IOIPB.

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:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Yeo How
Executive Director

Putrajaya
30 August 2004

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	4	4,993,454	3,907,871	376,600	375,354
Cost of sales		(3,235,608)	(2,587,765)	(79,720)	(79,190)
Gross profit		1,757,846	1,320,106	296,880	296,164
Other operating income	5	46,101	43,846	6,524	24,633
Marketing and selling expenses		(215,579)	(158,874)	(453)	(702)
Administration expenses		(173,776)	(123,525)	(16,090)	(12,036)
Other operating expenses		(295,777)	(254,919)	(27,264)	(80,599)
Operating profit	6	1,118,815	826,634	259,597	227,460
Interest income	7	15,502	16,976	44,655	41,395
Finance costs	8	(59,851)	(72,200)	(47,186)	(65,168)
Share of profits of associates		37,579	41,216	-	-
Profit before taxation		1,112,045	812,626	257,066	203,687
Taxation	9				
- Company and subsidiaries		(215,459)	(157,482)	(60,949)	(55,306)
- Share of taxation of associates		(4,970)	(3,611)	-	-
		(220,429)	(161,093)	(60,949)	(55,306)
Profit after taxation		891,616	651,533	196,117	148,381
Minority interests		(190,066)	(149,481)	-	-
Net profit attributable to shareholders		701,550	502,052	196,117	148,381
Earnings per share (sen)	10				
Basic		64.23	53.24		
Diluted		64.02	50.49		
Gross dividend per share (sen)	11				
First interim dividend		12.0	10.0	12.0	10.0
Second interim dividend		13.0	10.0	13.0	10.0
Total		25.0	20.0	25.0	20.0

The notes on pages 111 to 196 form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2004

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS EMPLOYED					
Property, plant and equipment	12	4,567,360	3,817,976	386,971	385,539
Subsidiaries	13	–	–	2,971,573	2,056,437
Associates	14	222,636	231,379	2,500	2,500
Investment properties	15	580,677	534,243	–	–
Other long term investments	16	32,043	31,363	10,851	10,851
Land held for development	17	652,517	650,029	–	–
Deferred tax assets	33	62,339	35,218	–	–
Goodwill on consolidation	18	429,433	415,565	–	–
Current assets					
Development properties	19	271,909	345,466	–	–
Inventories	20	604,278	458,077	5,681	3,954
Trade and other receivables	21	670,228	553,827	13,638	41,029
Amount due from subsidiaries	13	–	–	1,207,575	1,377,853
Amount due from associates	14	–	3,437	–	3,437
Tax recoverable		9,767	1,247	–	–
Short term investments	22	3,513	2,064	–	–
Short term funds	23	21,254	44,649	–	–
Deposits with financial institutions	24	339,565	218,659	7,143	41,382
Cash and bank balances	25	333,575	236,524	363	324
		2,254,089	1,863,950	1,234,400	1,467,979
Current liabilities					
Trade and other payables	26	569,755	530,965	26,571	11,683
Bank overdrafts	27	15,809	12,148	6,516	875
Short term borrowings	28	759,441	327,054	569,792	260,500
Amount due to subsidiaries	13	–	–	670,083	469,101
Amount due to an associate	14	2,739	2,739	2,739	2,739
Taxation		48,471	23,536	645	1,676
		1,396,215	896,442	1,276,346	746,574
Net current assets/(liabilities)		857,874	967,508	(41,946)	721,405
		7,404,879	6,683,281	3,329,949	3,176,732
FINANCED BY					
Share capital	29	582,618	540,400	582,618	540,400
Reserves	30	3,835,534	2,989,792	1,818,583	1,479,963
Shareholders' equity		4,418,152	3,530,192	2,401,201	2,020,363
Minority interests		1,205,239	1,195,425	–	–
Long term borrowings	31	1,273,859	1,553,991	922,167	1,150,649
Other long term liabilities	32	74,514	73,792	561	–
Deferred tax liabilities	33	433,115	329,881	6,020	5,720
		7,404,879	6,683,281	3,329,949	3,176,732

The notes on pages 111 to 196 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

GROUP	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUA- TION SURPLUS RM'000	CAPITAL RESERVE RM'000	FOREIGN EXCHANGE FLUCTUA- TION RESERVE RM'000	RESERVE ON CONSOLI- DATION RM'000	RETAINED PROFITS RM'000	TREASURY SHARES RM'000	TOTAL RM'000
As at 01 July 2002	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	-	(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 June 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 111 to 196 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004
cont'd

GROUP	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUA- TION SURPLUS RM'000	CAPITAL RESERVE RM'000	FOREIGN EXCHANGE FLUCTUA- TION RESERVE RM'000	RESERVE ON CONSOLI- DATION RM'000	RETAINED PROFITS RM'000	TREASURY SHARES RM'000	TOTAL RM'000
As at 01 July 2003	540,400	764,711	82,474	9,330	(38,295)	7,372	2,314,859	(150,659)	3,530,192
Transfer of revaluation surplus to retained profits upon disposal of investment properties	-	-	(89)	-	-	-	89	-	-
Currency translation differences	-	-	-	-	2,464	-	-	-	2,464
Net (loss)/gain not recognised in the income statement	-	-	(89)	-	2,464	-	89	-	2,464
Net profit for the financial year	-	-	-	-	-	-	701,550	-	701,550
Amortisation of reserve on consolidation	-	-	-	-	-	(775)	-	-	(775)
Dividend paid in respect of previous financial year	-	-	-	-	-	-	(104,650)	-	(104,650)
First interim dividend paid	-	-	-	-	-	-	(97,377)	-	(97,377)
Issue of shares	42,218	388,039	-	-	-	-	-	-	430,257
Repurchase of shares	-	-	-	-	-	-	-	(43,509)	(43,509)
As at 30 June 2004	582,618	1,152,750	82,385	9,330	(35,831)	6,597	2,814,471	(194,168)	4,418,152

The notes on pages 111 to 196 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004
cont'd

COMPANY	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	RETAINED PROFITS RM'000	TREASURY SHARES RM'000	TOTAL RM'000
As at 01 July 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	-	(171,697)	(966)	-	(172,663)
Issue of shares	92,412	511,402	-	-	603,814
Repurchase of shares	-	-	-	(114,384)	(114,384)
As at 30 June 2003	540,400	764,711	865,911	(150,659)	2,020,363
As at 01 July 2003	540,400	764,711	865,911	(150,659)	2,020,363
Net profit for the financial year	-	-	196,117	-	196,117
Dividend paid in respect of previous financial year	-	-	(104,650)	-	(104,650)
First interim dividend paid	-	-	(97,377)	-	(97,377)
Issue of shares	42,218	388,039	-	-	430,257
Repurchase of shares	-	-	-	(43,509)	(43,509)
As at 30 June 2004	582,618	1,152,750	860,001	(194,168)	2,401,201

The notes on pages 111 to 196 form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash Flows From Operating Activities					
Profit before taxation		1,112,045	812,626	257,066	203,687
Adjustments for:					
Depreciation of property, plant and equipment		146,376	123,678	5,221	5,007
Interest expenses		59,851	72,200	47,186	65,168
Amortisation of goodwill on consolidation		21,909	21,631	-	-
Expenses for retirement benefits		20,932	11,620	612	-
Unrealised foreign exchange loss		17,545	40,723	17,545	40,118
Allowance for doubtful debts		4,340	863	-	-
Allowance for stock obsolescence		3,415	2,266	-	-
Property, plant and equipment written off		2,988	1,824	389	606
Gain on disposal of investment properties		(331)	(86)	-	-
Dividend income from other long term investments		(532)	(156)	(121)	(115)
Allowance for doubtful debts written back		(758)	(431)	-	-
Amortisation of reserve on consolidation		(775)	(778)	-	-
Allowance for diminution in value of other long term investments written back		(778)	-	-	-
Allowance for diminution in value of short term investments written back		(1,438)	(2,015)	-	-
Amortisation of discount on acquisition of associates		(2,208)	(2,485)	-	-
Gain on disposal of other long term investments		(3,968)	(7,002)	-	-
Gain on disposal of property, plant and equipment		(8,510)	(672)	(249)	(296)
Interest income		(15,502)	(16,976)	(44,655)	(41,395)
Share of profits of associates		(37,579)	(41,216)	-	-
Revaluation deficit of an investment property		-	14,064	-	-
Loss on disposal of an associate		-	4,137	-	4,056
Provision for retrenchment benefits		-	1,526	-	-

The notes on pages 111 to 196 form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004
cont'd

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash Flows From					
Operating Activities cont'd					
Inventories written off		–	1,277	–	6
Loss on disposal of shares in a subsidiary		–	782	–	30
Gain on disposal of an associate		–	(297)	–	–
Gain on disposal of short term investments		–	(9,762)	–	(18,490)
Dividend income from subsidiaries		–	–	(186,028)	(179,511)
Operating profit before working capital changes		1,317,022	1,027,341	96,966	78,871
Decrease in development properties		153,005	27,571	–	–
(Increase)/decrease in inventories		(132,212)	(118,622)	(1,727)	718
(Increase)/decrease in trade receivables		(109,566)	20,175	314	(500)
Decrease/(increase) in other receivables, deposits and prepayments		11,217	(41,454)	(3,249)	1,682
Decrease/(increase) in amount due from customers on contracts		214	(624)	–	–
Increase/(decrease) in trade payables		25,956	59,604	1,669	(76)
(Decrease)/increase in other payables and accruals		(32,885)	(61,226)	13,208	(3,501)
Decrease in amount due to customers on contracts		–	(194)	–	–
Cash generated from operations		1,232,751	912,571	107,181	77,194
Tax refund		958	2,787	–	2,787
Club membership deposits received		125	252	–	–
Retirement benefits contributed		(34,211)	(2,448)	–	–
Retirement benefits paid		(689)	(599)	(51)	–
Tax paid		(221,997)	(135,254)	(21,137)	(10,232)
Net cash generated from operating activities		976,937	777,309	85,993	69,749

The notes on pages 111 to 196 form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004
cont'd

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash Flows From Investing Activities					
Dividends received from associates		43,560	43,956	-	-
Proceeds from disposal of property, plant and equipment		21,512	4,854	802	401
Interest received		15,682	17,984	5,329	6,166
Proceeds from the disposal of other long term investments		4,856	8,975	-	21
Payments received from associates		3,437	2,177	191	103
Proceeds from the disposal of investment properties		3,073	584	-	-
Dividends received from other long term investments		418	112	89	85
Additions to short term investments		(11)	-	-	-
Purchase of other long term investments		(790)	(1,510)	-	-
Additions to investment properties		(1,188)	(1,749)	-	-
Additions to land held for development		(80,858)	(54,307)	-	-
Additions to property, plant and equipment		(144,310)	(197,690)	(7,595)	(5,265)
Acquisition of additional interest in subsidiaries		(150,938)	(109,919)	(150,938)	(109,919)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	34	(181,717)	(1,362,914)	(187,596)	(277,649)
Proceeds from the disposal of short term investments		-	35,275	-	24,768
Proceeds from the disposal of an associate		-	11,000	-	11,000
Proceeds from the disposal of shares in a subsidiary		-	7,131	-	7,131
Real Property Gain Tax paid on the disposal of an associate		-	(1,022)	-	-
Additional investment in associates		-	(3,600)	-	-
Deposit paid for the acquisition of subsidiaries		-	(30,387)	-	(30,387)
Payments from/(to) subsidiaries		-	-	275,018	(465,665)
Dividends received from subsidiaries		-	-	145,517	135,056
Net cash (used in)/generated from investing activities		(467,274)	(1,631,050)	80,817	(704,154)

The notes on pages 111 to 196 form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004
cont'd

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash Flows From Financing Activities					
Proceeds from short term borrowings		148,741	–	115,000	–
Proceeds from issuance of shares		55,309	603,814	55,309	603,814
Proceeds from term loans		12,000	1,415,393	–	1,065,393
Proceeds from shares issued to minority shareholders		990	280	–	–
Repurchase of shares by a subsidiary		(929)	(243)	–	–
Repurchase of shares		(43,509)	(114,384)	(43,509)	(114,384)
Interest paid		(62,671)	(85,660)	(40,424)	(62,880)
Dividend paid to minority shareholders		(67,105)	(38,384)	–	–
Repayment of term loans		(157,593)	(352,062)	(91,000)	(308,330)
Dividend paid		(202,027)	(134,841)	(202,027)	(134,841)
Repayment of short term borrowings		–	(405,014)	–	(364,000)
Net cash (used in)/generated from financing activities		(316,794)	888,899	(206,651)	684,772
Net increase/(decrease) in cash and cash equivalents		192,869	35,158	(39,841)	50,367
Cash and cash equivalents as previously reported		486,684	451,526	39,831	(10,536)
Effect of exchange rate changes		(1,968)	–	–	–
Cash and cash equivalents at beginning of financial year as restated		484,716	451,526	39,831	(10,536)
Cash and cash equivalents at end of financial year	35	677,585	486,684	(10)	39,831

The notes on pages 111 to 196 form an integral part of the financial statements.

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.

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 have adopted Malaysian Accounting Standard Board ("MASB") Standard 29, Employee Benefits. The effects of the adoption of this Standard are disclosed in Note 45 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.2 Basis of Consolidation cont'd

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.

Intragroup transactions and balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

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 SIGNIFICANT ACCOUNTING POLICIES cont'd

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.

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.

Interest income

Interest income is recognised in the income statement as it accrues.

Club membership licence fee

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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.

Goodwill arising on the acquisition of foreign subsidiary and fair value adjustments to the carrying amounts of assets and liabilities acquired are translated at exchange rate at the date of the transaction and exchange rates closely approximating to those ruling at the balance sheet date respectively.

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

RM1.00 : SGD0.45	(2003 - SGD0.46)
RM1.00 : USD0.26	(2003 - USD0.26)
RM1.00 : EUR0.22	(2003 - EUR0.23)
RM1.00 : YEN33.33	(2003 - YEN33.33)
RM1.00 : HKD2.04	(2003 - HKD2.04)
RM1.00 : CAD0.36	(2003 - CAD0.36)
RM1.00 : EGP1.64	(2003 - EGP1.58)

3.6 Property, Plant and Equipment and Depreciation

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

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

Golf course is not depreciated as depreciation charge is immaterial because of the asset's long useful economic life and the Group's policy and practice to maintain and repair the golf course regularly such that the asset is kept to its previously assessed standard of performance. The related repair and maintenance expenses are dealt with in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.6 Property, Plant and Equipment and Depreciation cont'd

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	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 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 and is not amortised. Replanting expenditure, which represents cost incurred in replanting old planted areas, is charged to the income statement in the financial year it is incurred.

3.8 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.8 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.

3.9 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. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

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.

3.12 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.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.12 Development Properties cont'd

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.

3.14 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.15 Employee Benefits

Short term employee benefits

Wages, salaries, bonuses, other monetary and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

Retirement benefits

The Group has various retirement benefit plans in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age and years of service.

i Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

ii Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.15 Employee Benefits cont'd

ii Defined benefit plans cont'd

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

Equity compensation benefits

Details of the Group's Executive Share Option Scheme are set out in Note 29 to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received are credited to share capital and share premium.

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 all temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their related tax bases. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

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.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

vi Derivative financial instruments cont'd

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.

4 REVENUE

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Sales of plantation produce, refined palm oil and related products	2,111,577	1,731,775	190,451	195,728
Sales of development properties	683,531	494,712	–	–
Sales of oleochemicals and related products	1,121,363	897,723	–	–
Sales of specialty oils and fats and related products	951,734	665,143	–	–
Rental income from investment properties	53,499	49,651	–	–
Rendering of services	69,560	53,566	–	–
Construction contract	1,658	15,145	–	–
Dividend income	532	156	186,149	179,626
	4,993,454	3,907,871	376,600	375,354

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	8,510	672	249	296
Gain on disposal of other long term investments	3,968	7,002	-	-
Gain on disposal of short term investments	-	9,762	-	18,490
Others	33,623	26,410	6,275	5,847
	46,101	43,846	6,524	24,633

6 OPERATING PROFIT

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
a Operating profit has been arrived at after charging:				
Allowance for doubtful debts	4,340	863	-	-
Allowance for stock obsolescence	3,415	2,266	-	-
Amortisation of goodwill on consolidation	21,909	21,631	-	-
Auditors' remuneration - audit	1,701	1,315	70	70
- non audit	45	164	-	-
Depreciation of property, plant and equipment	146,376	123,678	5,221	5,007
Expenses for retirement benefits	20,932	11,620	612	-
Hire of plant and machinery	10,158	5,981	-	-
Inventories written off	-	1,277	-	6
Lease rentals	302	195	-	-
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	2,988	1,824	389	606
Provision for retrenchment benefits	-	1,526	-	-
Remuneration of directors of the Company - fees	563	484	315	266
- other emoluments	14,196	8,927	6,904	5,071
Rental of premises	1,148	937	292	-
Replanting expenditure	11,440	10,139	4,813	5,132
Research and development expenditure	16,020	11,225	5,688	6,034
Revaluation deficit of an investment property	-	14,064	-	-
Unrealised foreign exchange loss	17,545	40,723	17,545	40,118

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6 OPERATING PROFIT cont'd

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
and crediting:				
Allowance for diminution in value of long term investments written back	778	-	-	-
Allowance for diminution in value of short term investments written back	1,438	2,015	-	-
Allowance for doubtful debts written back	758	431	-	-
Amortisation of reserve on consolidation	775	778	-	-
Amortisation of discount on acquisition of associates	2,208	2,485	-	-
Bad debt recovered	-	4	-	-
Gain on disposal of an associate	-	297	-	-
Gain on disposal of investment properties	331	86	-	-
Gross dividend received from - other long term investments quoted in Malaysia	532	156	121	115
- subsidiaries quoted in Malaysia	-	-	118,851	87,610
- unquoted subsidiaries	-	-	67,177	91,901
Realised gain on foreign exchange	3,403	6,104	781	122
Rental income from plant and machinery	6,017	5,825	-	-
Rental income	55,224	50,788	62	61

Contract cost of the Group recognised as an expense during the financial year amounted to RM2,277,000 (2003 - RM11,041,000). Cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM2,481,188,000 (2003 - RM1,994,399,000) and RM14,365,000 (2003 - RM17,092,000) 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 RM175,355 (2003 - RM180,764) and RM46,650 (2003 - RM40,450) respectively.

b Employee information				
Employee costs	459,099	312,937	43,642	41,286

Employee costs include contributions of the Group and of the Company to the Employees' Provident Fund of RM15,993,000 (2003 - RM12,549,000) and RM3,179,000 (2003 - RM2,850,000) respectively.

The total number of employees of the Group and of the Company (including Executive Directors) as at end of the financial year was 26,686 (2003 - 24,746) and 3,253 (2003 - 3,210) respectively.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7 INTEREST INCOME

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Short term deposits	8,752	12,010	2,144	4,971
Subsidiaries	–	–	42,511	36,424
Associates	2,015	255	–	–
Others	4,735	4,711	–	–
	15,502	16,976	44,655	41,395

8 FINANCE COSTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
Bank overdrafts	812	1,214	17	24
Revolving credits	1,425	3,605	1,058	2,890
Short term loans	5,579	39,820	5,319	38,342
Subsidiaries	–	–	6,751	6,698
Term loans	54,511	30,698	34,041	17,214
Others	1,272	334	–	–
	63,599	75,671	47,186	65,168
Less: interest capitalised	(3,748)	(3,471)	–	–
	59,851	72,200	47,186	65,168

9 TAXATION

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Company and subsidiaries				
Current year				
Malaysian income taxation	233,208	143,561	59,000	58,600
Foreign taxation	1,953	–	–	–
Deferred taxation (Note 33)	(11,949)	24,143	(100)	(500)
	223,212	167,704	58,900	58,100
Prior years				
Malaysian income taxation	(2,652)	(9,757)	1,649	(2,794)
Foreign taxation	831	–	–	–
Deferred taxation (Note 33)	(5,932)	(465)	400	–
	(7,753)	(10,222)	2,049	(2,794)
	215,459	157,482	60,949	55,306
Share of taxation of associates				
Current year				
Malaysian income taxation	4,970	3,611	–	–
	220,429	161,093	60,949	55,306

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9 TAXATION cont'd

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

	GROUP		COMPANY	
	2004	2003	2004	2003
	%	%	%	%
Applicable tax rate	28.00	28.00	28.00	28.00
Tax effect in respect of:				
Non allowable expenses	1.47	3.80	2.63	9.15
Non taxable income	(0.06)	(0.74)	(0.12)	(2.96)
Revenue expenses capitalised	(0.10)	(0.19)	(0.02)	(0.05)
Tax exempt income	(2.19)	(1.86)	(7.17)	(4.92)
Tax incentives and allowances	(4.96)	(6.77)	(0.23)	(0.35)
Utilisation of previously unrecognised tax losses and capital allowances	(0.36)	(0.62)	-	-
Double deduction	(0.17)	(0.29)	(0.18)	(0.35)
Revaluation deficit	-	0.37	-	-
Deferred tax assets recognised	(0.98)	(0.57)	-	-
Different tax rates in foreign jurisdiction	(0.02)	(0.16)	-	-
Other items	(0.11)	0.11	-	-
Average effective tax rate	20.52	21.08	22.91	28.52
(Over)/under provision in prior years	(0.70)	(1.26)	0.80	(1.37)
	19.82	19.82	23.71	27.15

The amount of tax savings arising from the utilisation of unrecognised brought forward unabsorbed tax losses for the Group amounted to approximately RM358,000 (2003 - RM2,893,000).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unabsorbed tax losses of approximately RM296,410,000 (2003 - RM358,121,000), 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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	
	2004	2003
Net profit attributable to shareholders (RM'000)	701,550	502,052
Weighted average number of ordinary shares in issue ('000)	1,092,255	942,916
Basic earnings per share (sen)	64.23	53.24

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 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.

	GROUP	
	2004	2003
	RM'000	RM'000
Net profit attributable to shareholders	701,550	502,052

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	
	2004	2003
Weighted average number of ordinary shares in issue ('000)	1,092,255	942,916
Assumed exercise of Warrants 1995/2003 at beginning of financial year ('000)	-	48,221
Assumed exercise of Executive Share Option Scheme at beginning of financial year ('000)	3,645	3,239
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,095,900	994,376
Diluted earnings per share (sen)	64.02	50.49

11 DIVIDENDS

	GROUP AND COMPANY	
	2004 RM'000	2003 RM'000
First interim dividend declared and paid of 12.0 sen (2003 - 10.0 sen) per share less income tax	97,377	74,935
Second interim dividend declared of 13.0 sen per share less income tax (2003 - 10.0 sen per share tax exempt)	105,128	104,418
Additional interim and final dividends paid in respect of previous financial year	232	2,739
	202,737	182,092

The second interim dividend of 13.0 sen per share less income tax (2003 - 10.0 sen per share tax exempt) which was declared by the Board of Directors subsequent to the financial year end has not been accrued as a liability at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12 PROPERTY, PLANT AND EQUIPMENT

Group
2004

	AT BEGINNING OF FINANCIAL YEAR		ADJUST- MENTS ACQUI- SITION OF SUBSI- DIARIES (NOTE 34.1)		SUBSE- QUENT TO ACQUI- SITION DISPOSALS		FOREIGN EXCHANGE DIFFEREN- CES		WRITE- OFFS RECLASSI- FICATION		AT END OF FINANCIAL YEAR
At Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold plantations											
Land	246,344	1,575	-	-	(1,220)	-	-	-	177,824	424,523	
Plantation development expenditure	164,788	2,356	-	-	(552)	-	-	-	113,773	280,365	
Long term leasehold plantations											
Land	653,918	-	181,772	-	-	-	-	-	-	835,690	
Plantation development expenditure	1,005,277	28,101	416,579	-	(510)	-	(756)	(113,773)	1,334,918		
Freehold land	227,599	-	-	41,770	(236)	9,170	-	(154,502)	123,801		
Long term leasehold land	10,726	-	-	-	-	-	-	-	-	10,726	
Short term leasehold land	28,254	-	-	-	-	-	-	-	-	28,254	
Golf course	43,886	130	-	-	-	-	-	-	-	44,016	
Buildings and improvements	815,636	17,377	21,808	43,272	(13,603)	13,776	(2,965)	2,348	897,649		
Plant and machinery	1,375,315	46,520	48,847	61,790	(7,364)	30,656	(2,944)	8,374	1,561,194		
Motor vehicles	58,310	5,676	2,142	-	(1,392)	(71)	(290)	606	64,981		
Furniture, fittings and equipment	106,502	12,922	3,555	-	(375)	(56)	(3,450)	3,710	122,808		
Construction in progress *	157,265	32,323	1,070	(5,294)	-	341	-	(82,744)	102,961		
	4,893,820	146,980	675,773	141,538	(25,252)	53,816	(10,405)	(44,384)	5,831,886		

* Construction in progress completed during the financial year amounted RM44,384,000 (2003 - nil) have been transferred to investment properties.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group
2004

	AT BEGINNING OF FINANCIAL YEAR	CURRENT YEAR DEPRE- CIATION CHARGE	ACQUI- SITION OF SUBSI- DIARIES	ADJUST- MENTS SUBSE- QUENT TO ACQUI- SITION (NOTE 34.1)	DISPOSALS	FOREIGN EXCHANGE DIFFEREN- CES	WRITE- OFFS	RECLASSI- FICATION	AT END OF FINANCIAL YEAR
Accumulated Depreciation	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Long term leasehold plantations									
Land	99,401	2,811	2,709	-	(126)	-	-	100	104,895
Long term leasehold land	3,881	116	-	-	-	-	-	-	3,997
Short term leasehold land	4,566	721	-	-	-	-	-	-	5,287
Buildings and improvements	193,498	27,390	4,507	26,387	(3,076)	6,995	(1,952)	540	254,289
Plant and machinery	676,061	97,509	15,669	(4,080)	(7,241)	6,370	(2,152)	(2,288)	779,848
Motor vehicles	41,399	6,745	1,561	-	(1,472)	(80)	(258)	(11)	47,884
Furniture, fittings and equipment	57,038	11,084	1,976	-	(335)	(41)	(3,055)	1,659	68,326
	1,075,844	146,376	26,422	22,307	(12,250)	13,244	(7,417)	-	1,264,526

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group
2003

	AT BEGINNING OF FINANCIAL YEAR	AT BEGINNING OF FINANCIAL YEAR	ACQUI- SITION OF SUBSI- DIARIES	DISPOSALS	FOREIGN EXCHANGE DIFFEREN- CES	WRITE- OFFS	RECLASSI- FICATION	AT END OF FINANCIAL YEAR
At Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold plantations								
Land	240,287	836	-	(11)	-	-	5,232	246,344
Plantation development expenditure	161,770	3,590	-	(4)	-	(568)	-	164,788
Long term leasehold plantations								
Land	501,526	11,628	145,996	-	-	-	(5,232)	653,918
Plantation development expenditure	679,481	34,498	291,298	-	-	-	-	1,005,277
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

	AT BEGINNING OF FINANCIAL YEAR RM'000	PRIOR YEAR- ADJUST- MENTS RM'000	CURRENT- YEAR DEPRE- CIATION- CHARGE RM'000	ACQUI- SITION OF SUBSI- DIARIES RM'000	DISPOSALS RM'000	FOREIGN EXCHANGE DIFFEREN- CES RM'000	WRITE- OFFS RM'000	RECLASSI- FICATION RM'000	AT END OF FINANCIAL YEAR RM'000
Accumulated Depreciation									
Long term leasehold plantations									
Land	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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company
2004

At Cost	AT BEGINNING OF FINANCIAL YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE-OFFS RM'000	RECLASSI- FICATION RM'000	AT END OF FINANCIAL YEAR RM'000
Freehold plantations						
Land	172,526	433	(222)	-	-	172,737
Plantation development expenditure	124,442	2,215	(232)	-	-	126,425
Long term leasehold plantations						
Land	9,523	-	-	-	-	9,523
Plantation development expenditure	44,219	-	-	-	-	44,219
Freehold land	2,115	-	-	-	-	2,115
Buildings and improvements	25,484	1,815	-	(469)	381	27,211
Plant and machinery	30,028	800	(13)	(593)	516	30,738
Motor vehicles	5,246	1,186	(355)	-	-	6,077
Furniture, fittings and equipment	9,917	844	(49)	(164)	38	10,586
Construction in progress	935	302	-	-	(935)	302
	424,435	7,595	(871)	(1,226)	-	429,933

Accumulated Depreciation	AT BEGINNING OF FINANCIAL YEAR RM'000	CURRENT YEAR DEPRECIATION CHARGE RM'000	DISPOSALS RM'000	WRITE - OFFS RM'000	AT END OF FINANCIAL YEAR RM'000
Long term leasehold plantations					
Land	1,244	105	-	-	1,349
Buildings and improvements	7,813	1,132	-	(285)	8,660
Plant and machinery	19,578	2,511	(11)	(418)	21,660
Motor vehicles	3,956	629	(268)	-	4,317
Furniture, fittings and equipment	6,305	844	(39)	(134)	6,976
	38,896	5,221	(318)	(837)	42,962

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

**Company
2003**

At Cost	AT BEGINNING OF FINANCIAL YEAR	ADDITIONS	DISPOSALS	WRITE-OFFS	RECLASSI- FICATION	AT END OF FINANCIAL YEAR
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold plantations						
Land	172,537	-	(11)	-	-	172,526
Plantation development expenditure	122,522	2,492	(22)	(550)	-	124,442
Long term leasehold plantations						
Land	9,523	-	-	-	-	9,523
Plantation development expenditure	44,219	-	-	-	-	44,219
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

Accumulated Depreciation	AT BEGINNING OF FINANCIAL YEAR	CURRENT YEAR DEPRECIATION CHARGE	DISPOSALS	WRITE -OFFS	AT END OF FINANCIAL YEAR
	RM'000	RM'000	RM'000	RM'000	RM'000
Long term leasehold plantations					
Land	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

Net Book Value	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Freehold plantations				
Land	424,523	246,344	172,737	172,526
Plantation development expenditure	280,365	164,788	126,425	124,442
Long term leasehold plantations				
Land	730,795	554,517	8,174	8,279
Plantation development expenditure	1,334,918	1,005,277	44,219	44,219
Freehold land	123,801	227,599	2,115	2,115
Long term leasehold land	6,729	6,845	-	-
Short term leasehold land	22,967	23,688	-	-
Golf course	44,016	43,886	-	-
Buildings and improvements	643,360	622,138	18,551	17,671
Plant and machinery	781,346	699,254	9,078	10,450
Motor vehicles	17,097	16,911	1,760	1,290
Furniture, fittings and equipment	54,482	49,464	3,610	3,612
Construction in progress	102,961	157,265	302	935
	4,567,360	3,817,976	386,971	385,539

Included in long term leasehold plantations and construction in progress is an amount of interest expense capitalised during the financial year amounted to RM2,670,000 (2003 - RM2,240,000) for the Group.

Freehold and leasehold landed properties of the Group and of the Company at net book value of RM947,135,000 (2003 - RM86,531,000) and RM26,028,000 (2003 - RM64,591,000) respectively have been charged to banks for credit facilities granted to the Group and the Company.

13 SUBSIDIARIES

	COMPANY	
	2004 RM'000	2003 RM'000
At cost		
Shares quoted in Malaysia	1,086,975	936,038
Unquoted shares in Malaysia	1,434,527	846,570
Unquoted shares outside Malaysia	455,795	279,553
	2,977,297	2,062,161
Less: impairment losses	(5,724)	(5,724)
	2,971,573	2,056,437
At market value		
Shares quoted in Malaysia	2,819,696	1,898,171

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13 SUBSIDIARIES cont'd

Details of the subsidiaries are set out in Note 44.

During the financial year under review, the Company acquired a 100% interest in the following companies for a total purchase consideration of RM592.9 million (Note 34):

- 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

During the current financial year, the Company subscribed for additional shares of EUR38.0 million in Loders Croklaan Group B.V. ("LC Group"). The consideration for the subscription was settled by offsetting the amount due from LC Group to the Company.

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% (2003 - 0% to 5.5%) per annum and have no fixed terms of repayment.

14 ASSOCIATES

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
At Cost				
Unquoted shares	100,987	100,987	2,500	2,500
Share of post acquisition results and reserves of associates	109,679	120,630	-	-
Discount on acquisition amortised	11,970	9,762	-	-
	121,649	130,392	-	-
Interest in associates (Note 14.1)	222,636	231,379	2,500	2,500

Details of the associates are set out in Note 44.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

14 ASSOCIATES cont'd

14.1 Interest in associates

	GROUP	
	2004	2003
	RM'000	RM'000
Share of net tangible assets	254,812	265,763
Discount on acquisition of associates (Note 14.3)	(32,176)	(34,384)
	222,636	231,379

14.2 Goodwill on acquisition of associates

The movement in goodwill on acquisition of associates during the financial year is as follows:

	GROUP	
	2004	2003
	RM'000	RM'000
Balance at beginning of financial year	–	2,703
Disposal during the financial year	–	(2,703)
Balance at end of financial year	–	–

14.3 Discount on acquisition of associates

The movement in discount on acquisition of associates during the financial year is as follows:

	GROUP	
	2004	2003
	RM'000	RM'000
Balance at beginning of financial year	(34,384)	(42,163)
Amortisation for the financial year	2,208	2,485
Disposal during the financial year	–	5,294
Balance at end of financial year	(32,176)	(34,384)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15 INVESTMENT PROPERTIES

	GROUP	
	2004 RM'000	2003 RM'000
At cost		
Freehold land and buildings	44,384	–
Leasehold land and buildings	1,999	1,999
	46,383	1,999
At valuation		
Freehold land and buildings	377,110	378,664
Leasehold land and buildings	157,184	153,580
	534,294	532,244
	580,677	534,243

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	16,815 sq. metre
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	3 storey shopping mall	Freehold	57,907 sq. metre
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	45 units of commercial lot	Freehold	6,624 sq. metre
Mayang Plaza Jalan SS 26/2, Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	4 storey commercial complex	Freehold	12,575 sq. metre
IOI Resort Putrajaya	30 units of residential bungalow	Freehold	20,310 sq. metre
One IOI Square IOI Resort Putrajaya	12 storey office building	Freehold	18,319 sq. metre

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15 INVESTMENT PROPERTIES cont'd

NAME OF BUILDING/LOCATION	DESCRIPTION	TENURE OF LAND	NET LETTABLE AREA
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	3 storey shopping mall	Freehold	22,880 sq. metre
IOI Plaza 210 Middle Road Singapore	12 storey office building	Leasehold	8,740 sq. metre
Flat 28 Marathon House 200 Marylebone Road London NW1 5 PW	Residential apartment	Leasehold	Net built up area: 80 sq. metre

Leasehold land and buildings stated at cost amounted to RM1,999,000 (2003 - 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 RM235,231,000 (2003 - RM231,627,000) have been pledged to banks for credit facilities granted to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16 OTHER LONG TERM INVESTMENTS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost				
In Malaysia				
- Quoted shares	36,118	36,216	14,085	14,085
- Unquoted shares	1,783	1,783	860	860
- Quoted Warrants	2,185	2,185	2,185	2,185
Outside Malaysia				
- Quoted shares	5	5	5	5
	40,091	40,189	17,135	17,135
Less: allowance for diminution in value	(8,048)	(8,826)	(6,284)	(6,284)
	32,043	31,363	10,851	10,851
At market value				
- Shares quoted in Malaysia	38,632	38,477	7,845	7,089
- Warrants quoted in Malaysia	414	381	414	381

17 LAND HELD FOR DEVELOPMENT

	GROUP	
	2004 RM'000	2003 RM'000
At cost		
Freehold land	365,084	385,359
Long term leasehold land	274	274
	365,358	385,633
Development expenditure	287,159	264,396
	652,517	650,029

Included in development expenditure is interest expense incurred during the financial year amounting to RM536,000 (2003 - RM797,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18 GOODWILL ON CONSOLIDATION

	GROUP	
	2004 RM'000	2003 RM'000
At beginning of financial year	415,565	179,628
Arising from acquisition of subsidiaries (Note 34)	56,155	276,141
Arising from acquisition of additional shares in subsidiaries	54,968	1,516
Arising from purchase of own shares by subsidiaries	181	40
Arising from adjustments subsequent to acquisition in a subsidiary (Note 34.1)	(69,580)	-
Arising from discount received on purchase consideration of acquisition of subsidiaries (Note 34.2)	(5,947)	-
Distribution of shares in a subsidiary	-	(19,435)
Disposal of shares in a subsidiary	-	(694)
	451,342	437,196
Amortisation for the financial year	(21,909)	(21,631)
At end of financial year	429,433	415,565

19 DEVELOPMENT PROPERTIES

	GROUP	
	2004 RM'000	2003 RM'000
At Cost		
Freehold land	142,565	134,444
Development expenditure	1,753,513	1,590,061
	1,896,078	1,724,505
Profit recognised todate on sold properties under development less foreseeable losses accrued todate	1,366,335	1,124,858
Progress billings	(2,990,504)	(2,503,897)
	271,909	345,466

Included in development expenditure is interest expense incurred during the financial year amounting to RM542,000 (2003 - RM434,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20 INVENTORIES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost				
Plantation produce	69,519	77,542	2,394	1,492
Raw materials and consumables	314,996	268,197	2,067	1,565
Completed development properties	37,561	22,481	-	-
Nursery inventories	3,388	4,187	1,220	897
Trading inventories	28,766	96	-	-
Finished goods	130,445	71,189	-	-
Others	5,630	8,329	-	-
	590,305	452,021	5,681	3,954
At net realisable value				
Raw materials and consumables	12,518	4,601	-	-
Completed development properties	1,455	1,455	-	-
	604,278	458,077	5,681	3,954

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables (Note 21.1)	553,811	398,548	590	904
Other receivables, deposits and prepayments (Note 21.2)	116,007	154,655	13,048	40,125
Amount due from customers on contracts (Note 21.3)	410	624	-	-
	670,228	553,827	13,638	41,029

21.1 Trade receivables

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	564,703	407,810	590	904
Allowance for doubtful debts	(10,892)	(9,262)	-	-
	553,811	398,548	590	904

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21 TRADE AND OTHER RECEIVABLES cont'd

21.1 Trade receivables cont'd

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

	GROUP	
	2004 RM'000	2003 RM'000
Bad debts written off	900	764

Allowance for doubtful debts on trade receivables relating to subsidiary consolidated during the previous financial year amounted to RM5,277,000.

21.2 Other receivables, deposits and prepayments

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Prepaid lease rental (Note 21.2.1)	38,788	39,340	–	–
Deposit paid for the acquisition of subsidiaries (Note 21.2.2)	–	30,387	–	30,387
Other receivables	57,938	66,116	7,901	3,435
Other deposits	8,159	7,691	426	149
Prepayments	12,309	11,289	4,721	6,154
Allowance for doubtful debts on other receivables	(1,187)	(168)	–	–
	116,007	154,655	13,048	40,125

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

	GROUP	
	2004 RM'000	2003 RM'000
Bad debts written off	33	–

Allowance for doubtful debts on other receivables relating to subsidiary consolidated during the previous financial year amounted to RM33,000.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21 TRADE AND OTHER RECEIVABLES cont'd

21.2.1 Prepaid lease rental

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

- i Advance lease rental amounted to RM20,955,000 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.

- ii Advance lease rental amounted to RM17,833,000 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.

21.3 Amount due from customers on contracts

	GROUP	
	2004 RM'000	2003 RM'000
Aggregate cost incurred todate	20,530	93,090
Recognised profit	4,234	3,668
	24,764	96,758
Progress billings	(24,354)	(96,134)
Amount due from customers on contracts	410	624

NOTES TO THE FINANCIAL STATEMENTS

cont'd

22 SHORT TERM INVESTMENTS

	GROUP	
	2004	2003
	RM'000	RM'000
At cost		
In Malaysia		
- Quoted shares	452	452
- Loan stocks	11	-
Outside Malaysia		
- Quoted shares	16,189	16,189
- Unquoted shares	5	5
	16,657	16,646
Less: allowance for diminution in value	(13,144)	(14,582)
	3,513	2,064
At market value		
In Malaysia		
- Quoted shares	29	56
- Loan stocks	12	-
Outside Malaysia		
- Quoted shares	4,624	3,545
- Quoted warrants*	170	324

* Bonus issue, no cost incurred

23 SHORT TERM FUNDS

	GROUP	
	2004	2003
	RM'000	RM'000
Investment in fixed income trust funds in Malaysia	21,254	44,649

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24 DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits with licensed banks	330,031	171,402	7,143	1,182
Deposits with discount houses	9,534	47,257	–	40,200
	339,565	218,659	7,143	41,382

Included in the deposits with licensed banks of the Group and of the Company is fixed deposit of RM1,000,000 (2003 – 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 RM240,744,000 (2003 – RM150,702,000) 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

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables (Note 26.1)	268,158	216,983	2,927	1,258
Other payables and accruals (Note 26.2)	301,597	313,982	23,644	10,425
	569,755	530,965	26,571	11,683

26.1 Trade payables

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	268,158	216,983	2,927	1,258

Included in trade payables of the Group are retention monies of RM41,234,000 (2003- RM34,600,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26 TRADE AND OTHER PAYABLES cont'd

26.2 Other payables and accruals

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Land premium payable	29,449	33,449	–	–
Advances from minority shareholders of subsidiaries to the subsidiaries	16,675	17,820	–	–
Other payables	150,083	156,335	9,546	5,056
Customer and other deposits	21,380	19,689	441	325
Accruals	84,010	86,689	13,657	5,044
	301,597	313,982	23,644	10,425

27 BANK OVERDRAFTS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Secured	3,364	5,919	–	–
Unsecured	12,445	6,229	6,516	875
	15,809	12,148	6,516	875

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 3.80% to 6.00% (2003 – 3.75% to 8.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28 SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Secured				
Term loans – portion due within 12 months (Note 31)	357,889	62,700	228,792	17,500
Revolving credits	30,032	19,468	–	–
Trade financing	30,520	–	–	–
	418,441	82,168	228,792	17,500
Unsecured				
Term loans – portion due within 12 months (Note 31)	56,000	73,000	56,000	73,000
Short term loans	232,000	140,000	232,000	140,000
Revolving credits	53,000	30,000	53,000	30,000
Trade financing	–	1,886	–	–
	341,000	244,886	341,000	243,000
	759,441	327,054	569,792	260,500

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 1.39% to 4.75% (2003 – 1.82% to 5.20%) 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 2.11% to 2.42% (2003 – 2.10% to 3.45%) 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 2.82% to 3.18% (2003 – 2.84% to 2.96%) per annum. The Company has not issued any MTNs during the financial year.

Total CPs issued as at 30 June 2004 amounted to RM232,000,000 (2003 – RM140,000,000) is included in the unsecured short term loans.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29 SHARE CAPITAL

	GROUP AND COMPANY			
	2004		2003	
	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	1,080,800,685	540,400	895,975,613	447,988
Issue of shares arising from the acquisition of subsidiaries at RM5.20 per share	72,105,305	36,053	–	–
Issue of shares arising from exercise of options granted under the Executive Share Option Scheme				
At RM2.13 per share	568,000	284	364,000	182
At RM2.20 per share	–	–	689,000	345
At RM2.37 per share	74,000	37	221,000	110
At RM2.42 per share	–	–	17,000	9
At RM2.45 per share	–	–	326,000	163
At RM2.61 per share	499,000	250	149,000	74
At RM2.70 per share	–	–	490,000	245
At RM2.71 per share	1,310,000	655	403,000	202
At RM2.80 per share	–	–	785,000	392
At RM3.38 per share	–	–	110,000	55
At RM3.58 per share	959,000	480	822,000	411
At RM3.70 per share	–	–	1,654,000	827
At RM3.77 per share	732,000	366	397,000	198
At RM3.90 per share	–	–	470,000	235
At RM5.20 per share	8,007,000	4,003	–	–
At RM6.90 per share	180,000	90	–	–
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
At end of financial year	1,165,234,990	582,618	1,080,800,685	540,400

Of the total 1,165,234,990 (2003 – 1,080,800,685) issued and fully paid-up ordinary shares, 42,071,900 (2003 – 36,624,000) 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 2004 after deducting treasury shares held is 1,123,163,090 (2003 – 1,044,176,685) ordinary shares of RM0.50 each.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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 END OF THE FINANCIAL YEAR
		AS AT BEGINNING OF THE FINANCIAL YEAR	OFFERED AND ACCEPTED	EXERCISED	LAPSED	
2004						
RM2.71	11 May 1995	1,438,000	-	1,310,000	-	128,000
RM2.61	10 January 1996	145,000	-	145,000	-	-
RM3.77	8 November 1996	826,000	-	732,000	-	94,000
RM2.61	27 August 1997	551,000	-	354,000	15,000	182,000
RM2.13	23 December 1998	35,000	-	35,000	-	-
RM2.13	1 December 1999	574,000	-	533,000	-	41,000
RM2.37	6 January 2001	76,000	-	74,000	-	2,000
RM3.58	28 December 2001	1,046,000	-	959,000	18,000	69,000
RM5.20	10 June 2003	10,893,000	-	8,007,000	89,000	2,797,000
RM6.90	14 November 2003	-	1,320,000	180,000	-	1,140,000
	Total	15,584,000	1,320,000	12,329,000	122,000	4,453,000
2003						
RM2.80/RM2.71*	11 May 1995	3,049,000	-	1,188,000	423,000	1,438,000
RM2.50/RM2.42*	6 January 1996	17,000	-	17,000	-	-
RM2.70/RM2.61*	10 January 1996	244,000	-	69,000	30,000	145,000
RM3.50/RM3.38*	26 April 1996	110,000	-	110,000	-	-
RM3.90/RM3.77*	8 November 1996	1,715,000	-	867,000	22,000	826,000
RM2.70/RM2.61*	27 August 1997	1,258,000	-	570,000	137,000	551,000
RM2.20/RM2.13*	23 December 1998	515,000	-	434,000	46,000	35,000
RM2.20/RM2.13*	1 December 1999	1,415,000	-	619,000	222,000	574,000
RM2.45/RM2.37*	6 January 2001	706,000	-	547,000	83,000	76,000
RM3.70/RM3.58*	28 December 2001	3,648,000	-	2,476,000	126,000	1,046,000
RM5.20	10 June 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 capital distribution in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme cont'd

The aggregate proceeds and fair value of shares issued arising from the exercise of the share options during the financial year are as follows:

	2004 RM'000	2003 RM'000
Ordinary share capital	6,165	3,448
Share premium	49,144	17,972
Aggregate proceeds received on shares issued	55,309	21,420
Fair value at date of issue	96,265	39,304

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:

- The original exercise period of the Warrants shall be extended for one year from 1 May 2000 to 30 April 2001.
- 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 Bursa Malaysia Securities Berhad ("BMSB") 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.
- The Company to announce to the BMSB on any Further Extension, three months prior to the expiry dates of the Warrants.
- 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.

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

30 RESERVES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non distributable				
Share premium	1,152,750	764,711	1,152,750	764,711
Revaluation surplus	82,385	82,474	-	-
Capital reserve (Note 30.1)	9,330	9,330	-	-
Foreign exchange fluctuation reserve	(35,831)	(38,295)	-	-
Reserve on consolidation	6,597	7,372	-	-
Treasury shares, at cost (Note 30.2)	(194,168)	(150,659)	(194,168)	(150,659)
	1,021,063	674,933	958,582	614,052
Distributable				
Retained profits	2,814,471	2,314,859	860,001	865,911
	3,835,534	2,989,792	1,818,583	1,479,963

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.

30.2 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 21 October 2003.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30 RESERVES cont'd

30.2 Treasury shares cont'd

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

	NO. OF SHARES	COST RM	PURCHASE PRICE PER SHARE		
			HIGHEST RM	LOWEST RM	AVERAGE RM
2004					
At beginning of financial year	36,624,000	150,658,566	5.72	2.04	4.11
Purchases during the financial year					
May 2004	1,482,500	11,774,567	8.13	7.89	7.94
June 2004	3,965,400	31,734,895	8.28	7.38	8.00
	5,447,900	43,509,462	8.28	7.38	7.99
At end of financial year	42,071,900	194,168,028	8.28	2.04	4.62
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

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.

30.3 Distributable reserves

Subject to agreement with the tax authorities:

- the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank approximately RM283,348,000 (2003 - RM222,121,000) of its retained profits if paid out as dividends; and
- the Company has approximately RM133,745,000 (2003 - RM228,388,000) in its tax exempt accounts available for distribution of tax exempt dividends.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30 RESERVES cont'd

30.3 Distributable reserves cont'd

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% (2003 - 28%) on the gross amount of the additional dividend paid.

31 LONG TERM BORROWINGS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Secured				
Term loans	1,571,748	1,482,691	1,090,959	1,034,149
Less: portion due within 12 months included under short term borrowings (Note 28)	(357,889)	(62,700)	(228,792)	(17,500)
Total Secured	1,213,859	1,419,991	862,167	1,016,649
Unsecured				
Term loans	116,000	207,000	116,000	207,000
Less: portion due within 12 months included under short term borrowings (Note 28)	(56,000)	(73,000)	(56,000)	(73,000)
Total Unsecured	60,000	134,000	60,000	134,000
	1,273,859	1,553,991	922,167	1,150,649

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

- EUR230 million term loan that is secured by fixed charges over shares in IOI Corporation N.V., Loders Croklaan Group B.V. and its subsidiaries. The EUR230 million term loan bears interest at rates ranging from 2.93% to 3.04% (2003 - 2.93%) per annum and is repayable by 6 equal semi-annual instalments of EUR23 million and 2 equal semi-annual instalments of EUR46 million commencing December 2004.
- RM350 million term loan that is secured by a fixed charge over shares in Unipamol Sdn Bhd and Pamol Plantations Sdn Bhd. The outstanding amount as at end of the financial year is RM306,250,000 (2003 - RM350,000,000). This term loan bears interest at 4.5% per annum and is repayable by equal quarterly instalments of RM21.875 million commencing January 2004.
- SGD20 million term loan pertaining to a foreign incorporated subsidiary that is secured by a first legal charge over the subsidiary's investment property. The outstanding amount as at end of the financial year is SGD19 million (2003 - SGD20 million). This term loan bears interest at rates ranging from 1.39% to 1.73% (2003 - 1.48% to 2.17%) per annum and is repayable by annual instalments of varying amounts over 5 years commencing June 2004.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31 LONG TERM BORROWINGS cont'd

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 3.5% to 7.65% (2003 - 4.50% to 7.65%) per annum.

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

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Within 2 years	787,479	516,754	533,084	263,465
Between 2 to 5 years	866,465	973,007	673,875	777,754
After 5 years	33,804	199,930	-	199,930
	1,687,748	1,689,691	1,206,959	1,241,149

32 OTHER LONG TERM LIABILITIES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Retirement benefits (Note 32.1)	59,399	58,802	561	-
Club membership deposits	15,115	14,990	-	-
	74,514	73,792	561	-

32.1 Retirement benefits

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Present value of funded obligations	193,906	183,153	-	-
Fair value of plan assets	(152,470)	(126,282)	-	-
	41,436	56,871	-	-
Present value of unfunded obligations	9,825	9,172	1,034	912
Present value of net obligations	51,261	66,043	1,034	912
Unrecognised actuarial losses/(gains)	8,840	(5,837)	(17)	-
Unrecognised transitional liability (Note 45)	(702)	(1,404)	(456)	(912)
Recognised liability for defined benefit obligations	59,399	58,802	561	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

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

The last actuarial valuations for the unfunded and funded plans were carried out on 30 June 2003 and 30 June 2004 respectively.

Movement in the net liability recognised in the balance sheets:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Net liability at beginning of financial year	58,802	6,545	-	-
Adjustments subsequent to acquisition (Note 34.1)	10,214	-	-	-
Contributions	(34,211)	(2,448)	-	-
Benefits paid	(689)	(599)	(51)	-
Expense recognised in the income statement	20,932	11,620	612	-
Addition through subsidiaries acquired	-	37,883	-	-
Translation differences	4,351	5,801	-	-
Net liability at end of financial year	59,399	58,802	561	-

Expense recognised in the income statements:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current service cost	16,888	10,132	103	-
Interest cost	10,445	4,383	53	-
Expected return on plan assets	(7,103)	(2,895)	-	-
Amortisation of transitional liability (Note 45)	702	-	456	-
	20,932	11,620	612	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

The expense is recognised in the following line items in the income statements:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost of sales	10,958	4,002	612	–
Distribution expenses	6,407	3,635	–	–
Administrative expenses	3,567	3,983	–	–
	20,932	11,620	612	–
Actual return on plan assets	7,206	2,020	–	–

Liability for defined benefit obligations

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	GROUP AND COMPANY	
	2004	2003
Discount rate	5.46%	5.63%
Expected return on plan assets	6.13%	6.31%
Future salary increases	2.52%	2.38%

33 DEFERRED TAXATION

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of financial year	294,663	182,920	5,720	6,220
Recognised in the income statement (Note 9)				
- Current year	(11,949)	24,143	(100)	(500)
- Prior years	(5,932)	(465)	400	–
Recognised in equity	–	2,677	–	–
Addition through subsidiary acquired	2,892	34,662	–	–
Exchange differences	11,740	4,732	–	–
Fair value adjustment on acquisitions	39,925	45,994	–	–
Tax effect of adjustments subsequent to acquisition (Note 34.1)	39,437	–	–	–
At end of financial year	370,776	294,663	6,020	5,720

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33 DEFERRED TAXATION cont'd

Presented after appropriate offsetting as follows:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax liabilities	433,115	329,881	6,020	5,720
Deferred tax assets	(62,339)	(35,218)	-	-
	370,776	294,663	6,020	5,720

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

Deferred tax liabilities

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of financial year	337,648	212,231	5,720	6,220
Recognised in the income statements (Note 9)				
Temporary differences on accelerated capital allowances	17,498	17,889	300	(500)
Temporary differences on prepaid lease rental	(252)	4,603	-	-
Temporary differences on recognition of project profit	219	539	-	-
Temporary differences on recognition of project expenses	(3,510)	2,601	-	-
Temporary differences on amortisation of fair value adjustments	(7,249)	(3,974)	-	-
Other temporary differences	(1,996)	1,972	-	-
	4,710	23,630	300	(500)
Recognised in equity	-	2,677	-	-
Addition through subsidiary acquired	10,062	46,661	-	-
Exchange differences	13,308	6,455	-	-
Tax effect of fair value adjustment on acquisition	39,925	45,994	-	-
Tax effect of adjustments subsequent to acquisition (Note 34.1)	42,961	-	-	-
At end of financial year	448,614	337,648	6,020	5,720

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33 DEFERRED TAXATION cont'd

Deferred tax assets

	GROUP	
	2004 RM'000	2003 RM'000
At beginning of financial year	42,985	29,311
Recognised in the income statements (Note 9)		
Temporary differences on unabsorbed tax losses	12,880	(7,636)
Temporary differences on unutilised capital allowances	7,013	5,875
Other deductible temporary differences	2,698	1,713
	22,591	[48]
Addition through subsidiaries acquired	7,170	11,999
Exchange differences	1,568	1,723
Tax effect of adjustments subsequent to acquisition (Note 34.1)	3,524	-
At end of financial year	77,838	42,985

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

Deferred tax liabilities

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Temporary differences on accelerated capital allowances	193,053	177,742	6,020	5,720
Temporary differences on prepaid lease rental	10,860	11,112	-	-
Temporary differences on recognition of project profit	2,294	2,075	-	-
Temporary differences on recognition of project expenses	2,621	6,131	-	-
Other taxable temporary differences	3,188	6,814	-	-
Fair value adjustments on acquisitions	140,876	108,200	-	-
Revaluation of assets	80,223	17,807	-	-
	433,115	329,881	6,020	5,720

Deferred tax assets

	GROUP	
	2004 RM'000	2003 RM'000
Unabsorbed tax losses	33,863	11,678
Unutilised capital allowances	4,843	5,553
Retirement benefit obligations	17,794	14,275
Other deductible temporary differences	5,839	3,712
	62,339	35,218

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33 DEFERRED TAXATION cont'd

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

	GROUP	
	2004 RM'000	2003 RM'000
Unabsorbed tax losses	82,995	100,274
Unutilised capital allowances	9,233	12,871
Other deductible temporary differences	2,518	586
	94,746	113,731

34 ACQUISITION OF SUBSIDIARIES

2004

On 7 November 2003, the Company acquired the entire equity interest in the following companies for a total consideration of RM592.9 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

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

	RM'000
Property, plant & equipment	649,351
Other long term assets	23,385
Net current assets	1,904
Other long term liabilities	(137,864)
Net assets acquired	536,776
Goodwill on consolidation	56,155
	592,931
Purchase consideration satisfied by:	
Cash	217,983
Issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share	374,948
	592,931
Purchase consideration discharged by cash	217,983
Less: deposits paid during the previous financial year	(30,387)
Less: cash and cash equivalents of subsidiaries acquired	(5,879)
Cash outflow on acquisition of subsidiaries	181,717

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

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

	RM'000
Operating profit	67,916
Net Interest expense	(2,112)
Profit before taxation	65,804
Taxation	(14,855)
Increase in Group's net profit	50,949

The effect of the above acquisition on the financial position of the Group as at 30 June 2004 is as follows:

	2004 RM'000
Property, plant and equipment	650,300
Other long term assets	20,220
Net current assets	42,763
Other long term liabilities	(125,558)
Goodwill on consolidation	54,274
Increase in Group's net assets	641,999

2003

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

	NOTE	CASH OUTFLOW, NET OF CASH AND CASH EQUIVALENTS ACQUIRED RM'000	ACQUIRED BY
i Loders Croklaan	34.1	822,585	IOI Corporation Berhad
ii Unipamol Malaysia Sdn Bhd	34.2	530,683	IOI Oleochemical Industries Berhad
iii Pamol Plantations Sdn Bhd	34.2		IOI Oleochemical Industries Berhad
iv Kunimas Sdn Bhd	34.3	442	Syarimo Sdn Bhd
v Tanda Bestari Development Sdn Bhd	34.4	9,204	Cahaya Kota Development Sdn Bhd
		1,362,914	

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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:

	RM'000
Property, plant & 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 for the financial year ended 30 June 2003 was as follows:

	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 was as follows:

	2003 RM'000
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

Fair value of the identifiable assets and liabilities acquired were revised during the financial year ended 30 June 2004 in accordance with the provisions of MASB 21, Business Combinations as follow:

	AS PREVIOUSLY REPORTED RM'000	ADJUSTMENTS SUBSEQUENT TO ACQUISITION RM'000	AS ADJUSTED RM'000
Property, plant & equipment	409,347	119,231	528,578
Other long term assets	11,537	–	11,537
Net current assets	276,870	–	276,870
Other long term liabilities	(86,944)	(49,651)	(136,595)
Net assets acquired	610,810	69,580	680,390
Goodwill on consolidation	242,173	(69,580)	172,593
	852,983	–	852,983

The analysis of adjustments to other long term liabilities are as follows:

	RM'000
Retirement benefits (Note 32.1)	10,214
Tax effect of fair value adjustments (Note 33)	
Property, plant and equipment	42,961
Retirement benefits	(3,524)
	49,651

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

34.2 Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd

On 17 January 2003, a subsidiary of the Company, IOI Oleochemical Industries Berhad (formerly known as Palmco Holdings Berhad) ("IOI Oleo") 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 were as follows:

	RM'000
Property, plant & 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

The effect of the above acquisition on the financial results of the Group for the financial year ended 30 June 2003 was as follows:

	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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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 position of the Group as at 30 June 2003 was as follows:

	RM'000
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

The purchase consideration was reduced by RM5,947,000 from RM579,870,000 to RM573,923,000 during the current financial year upon settlement of the vendors' claim and IOI Oleo's counter-claim. Accordingly, goodwill has been reduced from RM31,989,000 to RM26,042,000 in the current financial year in accordance with the provisions of MASB 21, Business Combinations.

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 were as follows:

	RM'000
Property, plant & 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 for the financial year ended 30 June 2003 was insignificant as the company was inactive.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

34.3 Kunimas Sdn Bhd cont'd

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

	2003 RM'000
Property, plant and equipment	498
Net current liabilities	(514)
Goodwill on consolidation	443
Increase in Group's net assets	427

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 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 were as follows:

	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 for the financial year ended 30 June 2003 was insignificant as the company was inactive.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34 ACQUISITION OF SUBSIDIARIES cont'd

34.4 Tanda Bestari Development Sdn Bhd cont'd

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

	2003 RM'000
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

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of financial year comprise:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Short term funds	21,254	44,649	-	-
Deposits with financial institutions	339,565	218,659	7,143	41,382
Cash and bank balances	333,575	236,524	363	324
Bank overdrafts	(15,809)	(12,148)	(6,516)	(875)
	678,585	487,684	990	40,831
Less: deposits with financial institutions (pledged)	(1,000)	(1,000)	(1,000)	(1,000)
Cash and cash equivalents	677,585	486,684	(10)	39,831

The Group has undrawn borrowing facilities of RM505,730,000 (2003 - RM634,893,000) at end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

36 SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of Related Parties

- a The Company has a controlling related party relationship with its direct and indirect subsidiaries as disclosed in the financial statements.
- b 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
Kao Plasticizer (Malaysia) Sdn Bhd
Malaysia Pakistan Venture Sdn Bhd

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
Lee Sing Hin
Etienne Selosse

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

* Became subsidiaries of the Company with effect from 7 November 2003

NOTES TO THE FINANCIAL STATEMENTS

cont'd

36 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 are 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.

		GROUP	
		2004	2003
		RM'000	RM'000
i	Sales of palm products		
	Mayvin Incorporated Sdn Bhd	10,503	27,460
ii	Sales of oleochemical products and palm kernel oil		
	Fatty Chemical (Malaysia) Sdn Bhd	399,695	281,333
iii	Purchases of palm products		
	Continental Estates Sdn Bhd	21,421	22,033
	B.A. Plantations Sdn Bhd	9,531	24,482
	Pine Capital Sdn Bhd	12,484	29,538
	Right Purpose Sdn Bhd	8,014	18,112
	Mayvin Incorporated Sdn Bhd	38,535	107,094
iv	Purchases of oleochemical products		
	Fatty Chemical (Malaysia) Sdn Bhd	14,205	12,924
v	Agency fees		
	Continental Estates Sdn Bhd	346	394
vi	Property project management services		
	Malayapine Estates Sdn Bhd	3,434	2,066
vii	Rental income on storage tank		
	Fatty Chemical (Malaysia) Sdn Bhd	5,987	5,798

NOTES TO THE FINANCIAL STATEMENTS

cont'd

37 CONTINGENT LIABILITIES - UNSECURED

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Litigations involving claims for damages and compensation	2,314	3,007	-	-
Guarantees for credit facilities of subsidiaries	-	-	33,620	40,669
Guarantees issued to third parties	10,205	8,225	3,055	2,232
Counter indemnities to banks for bank guarantees issued	14,614	18,749	4,198	6,859
	27,133	29,981	40,873	49,760

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.

- Unipamol Malaysia Sdn Bhd ("Unipamol"), a subsidiary of IOI Oleochemical Industries Berhad ("IOI Oleo"), 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.
- 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 IOI Oleo's subsidiaries.

38 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

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 also entered into forward foreign exchange contracts with the following notional amounts and maturities:

GROUP	WITHIN 1 YEAR RM'000	MATURITIES 1-5 YEARS RM'000	5 YEARS OR MORE RM'000	TOTAL NOTIONAL AMOUNT RM'000
2004				
Sales contracts	1,265,339	-	-	1,265,339
Purchase contracts	72,749	-	-	72,749
2003				
Sales contracts	687,470	4,520	-	691,990
Purchase contracts	83,273	-	-	83,273

The net unrecognised gain/(loss) as at 30 June 2004 on forward contracts used to hedge committed sales and purchases which are substantially expected to occur during financial year 2005 amounted to RM4,164,000 (2003 - RM4,154,000) and RM15,000 (2003 - (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.

As at the balance sheet date, the Company has entered into the following currency swap and option contracts:

- EUR/USD coupon swap of EUR500,000 for every 6 month, over a period of 2 years to cover part of the Company's EUR loan interest payment commitment. The first settlement of the coupon swap was on 28 June 2004.
- EUR/USD currency options of EUR22 million for every 6 months, over a period of 3 years, commencing 30 December 2004 to cover the Company's semi-annual EUR denominated loan principal repayment commitment.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 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	EFFECTIVE INTEREST RATE %	TOTAL RM'000	WITHIN 1 YEAR RM'000	1-5 YEARS RM'000	AFTER 5 YEARS RM'000
2004					
Financial assets					
Short term funds	2.70	21,254	21,254	-	-
Deposits with financial institutions	2.75	339,565	339,565	-	-
Cash held in Housing Development Accounts	2.00	240,744	240,744	-	-
Financial liabilities					
Secured overdraft	3.80	3,364	3,364	-	-
Unsecured overdraft	6.00	12,445	12,445	-	-
Secured revolving credits	1.48	30,032	30,032	-	-
Unsecured revolving credits	3.25	53,000	53,000	-	-
Unsecured short term loans	2.97	232,000	232,000	-	-
Secured trade financing	2.12	30,520	30,520	-	-
Secured term loans	3.30	1,571,748	1,352,998	218,750	-
Unsecured term loans	3.61	116,000	116,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

GROUP	EFFECTIVE INTEREST RATE %	TOTAL RM'000	WITHIN 1 YEAR RM'000	1-5 YEARS RM'000	AFTER 5 YEARS RM'000
2003					
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	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

COMPANY	EFFECTIVE INTEREST RATE %	TOTAL RM'000	WITHIN 1 YEAR RM'000	1-5 YEARS RM'000	AFTER 5 YEARS RM'000
2004					
Financial assets					
Deposits with financial institutions	2.12	7,143	7,143	-	-
Financial liabilities					
Unsecured overdraft	6.19	6,516	6,516	-	-
Unsecured revolving credits	3.25	53,000	53,000	-	-
Unsecured short term loans	2.97	232,000	232,000	-	-
Secured term loans	3.00	1,090,959	1,090,959	-	-
Unsecured term loans	3.61	116,000	116,000	-	-
2003					
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	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

As at balance sheet date, the Group and the Company has the following interest rate swap contracts to optimise interest cost over the respective loan tenure:

INTEREST RATE SWAP	NOTIONAL AMOUNT	EFFECTIVE PERIOD
2004 Group		
EURIBOR to USD LIBOR (Settlement in EUR)	EUR230 million, half yearly amortisation of EUR23 million, commencing 30 November 2004	27 June 2003 to 30 November 2006
Fixed rate to USD LIBOR (Settlement in Ringgit)	RM350 million, to be fully amortised over a period of four years, commencing 15 April 2004.	15 January 2004 to 15 January 2008
Company		
EURIBOR to USD LIBOR (Settlement in EUR)	EUR230 million, half yearly amortisation of EUR23 million, commencing 30 November 2004	27 June 2003 to 30 November 2006
2003 Group and Company		
EURIBOR to USD LIBOR (Settlement in EUR)	EUR230 million, half yearly amortisation of EUR23 million, commencing 30 November 2004	27 June 2003 to 30 November 2006

Price fluctuation risk

The Group's plantation and downstream manufacturing segments are inversely exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. These two business segments enter into commodity future contracts with the objective of managing and hedging their respective exposures to price volatility in the commodity markets.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Price fluctuation risk cont'd

As at balance sheet date, the Group has entered into the following commodity future and swap contracts:

i Commodity future

GROUP	NET UNRECOGNIZED GAIN/(LOSS) AS AT END OF THE FINANCIAL YEAR	
	TOTAL RM'000	RM'000
2004		
Sales contracts	46,034	1,381
Purchase contracts	38,152	(2,711)
2003		
Sales contracts	24,117	(1,486)
Purchase contracts	43,705	1,621

The above commodity future contracts have maturities of less than 1 year.

ii Commodity swap

During the financial year, the Company entered into a commodity swap contract to swap the CPO reference price from Bursa Malaysia Derivative ("BMD") CPO future contract price to a predetermined fixed price. The contract involved a total of 200,000 MT of CPO or 8,333 MT per month over a 24 months period from April 2005 to March 2007. The mark-to-market value of this contract as at 30 June 2004 was a gain of RM21,830,000.

The unrecognised gain/(loss) on the commodity future and swap 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Credit risk cont'd

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.

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:

	GROUP		COMPANY	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
2004	RM'000	RM'000	RM'000	RM'000
Financial assets				
Quoted other long term investments	30,373	39,046	9,991	7,470
Quoted short term investments	3,508	4,835	-	-
Financial liabilities				
Term loans	306,250	316,696	-	-
Derivative financial instruments				
Forward foreign exchange contracts				
Sale contracts	-	1,339	-	-
Purchase contracts	-	45	-	-
Currency swap contract	-	(3,186)	-	(3,186)
Currency option contracts	-	3,234	-	3,234
Commodity future contracts				
Sale contracts	-	1,381	-	-
Purchase contracts	-	(2,711)	-	-
Commodity swap contracts	-	21,830	-	21,830
Interest rate swap contracts	-	(23,355)	-	(17,494)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

38 FINANCIAL INSTRUMENTS cont'd

Fair values cont'd

2003	GROUP		COMPANY	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Quoted other long term investments	29,693	38,858	9,991	7,470
Quoted short term investments	2,059	3,925	–	–
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 contracts	–	4,774	–	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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

39 COMMITMENTS

39.1 Capital Commitments

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Authorised capital expenditure not provided for in the financial statements				
- Contracted				
Purchase of property, plant and equipment	20,302	30,829	-	-
New planting	-	262	-	-
Construction in progress	163,791	26,182	-	-
- Not Contracted				
Purchase of property, plant and equipment	61,876	48,774	4,569	4,546
New planting	11,381	14,325	289	1,320

39.2 Operating Lease Commitments

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

	GROUP	
	2004	2003
	RM'000	RM'000
Not later than 1 year	3,137	2,746
Later than 1 year and not later than 5 years	11,005	12,866
Later than 5 years	138,214	139,214
	152,356	154,826

40 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

40.1 Acquisition of Interest in Oil Palm Estates and Palm Oil Mill in Sabah

On 23 October 2003, the Company obtained shareholders' approval at an Extraordinary General Meeting for the several conditional sale and purchase agreements 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 palm oil 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

40 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

40.1 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 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 acquisition was completed on 7 November 2003 with a revision in the purchase consideration from RM607.7 million to RM592.9 million satisfied by the issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share and RM218.0 million by cash.

40.2 Proposed Disposal of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd

On 24 May 2004, the Company entered into a conditional share sale agreement with its subsidiary, IOI Properties Berhad ("IOIPB") for the disposal of:

- i 1,000,000 ordinary shares of RM1.00 each and 320,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Golf Course Development Sdn Bhd for a consideration of RM44,264,000; and
- ii 3,000,000 ordinary shares of RM1.00 each and 2,100,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Development Sdn Bhd for a consideration of RM338,495,000.

The total consideration of RM382,759,000 will be satisfied by the issuance of 30,000,000 new ordinary shares of RM1.00 each in IOIPB at a proposed price of RM7.70 per share and RM151,759,000 by cash.

The proposed disposal is still pending approvals from the relevant authorities and the shareholders of the Company and IOIPB.

41 SIGNIFICANT SUBSEQUENT EVENTS

41.1 Proposed Acquisition of Shares in Soctek Sdn Bhd ("Soctek")

On 21 July 2004, Lodders Crocklaan Group B. V., a subsidiary of the Company, entered into a conditional share sale agreement ("Conditional SSA") with Ugreat Holdings Pte Ltd to acquire 15,600,000 shares of RM1.00 each representing 100% of the issued and paid-up share capital of Soctek for a total cash consideration of RM2,049,323 and the settlement of shareholder's loan and advance of RM87,138,363. The shareholder's loan and advances are owing by Soctek and its wholly owned subsidiary, Soctek Edible Oils Sdn Bhd to the vendor and the vendor's related persons.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

41 SIGNIFICANT SUBSEQUENT EVENTS cont'd

41.1 Proposed Acquisition of Shares in Soctek Sdn Bhd ("Soctek") cont'd

The proposed acquisition is subject to due fulfilment of certain conditions precedent in the Conditional SSA.

As the transaction was entered into recently and is still pending completion, it is not practicable to disclose information on the fair value of net identifiable assets to be acquired and the resultant goodwill arising on this acquisition. The operating results, assets and liabilities of Soctek will be consolidated using the acquisition method upon completion of the acquisition. The acquisition is expected to enhance the Group's future earnings.

41.2 Proposed Issue of Up To USD345 Million Nominal Value Five (5)-Year Unsecured Guaranteed Exchangeable Bonds ("Exchangeable Bonds")

In July 2004, the Company announced the incorporation of IOI Investment (L) Berhad, a special vehicle company to issue up to USD345 million nominal value Exchangeable Bonds ("The Proposed Bonds Issue"). The proceeds from the Exchangeable Bonds will be utilised to repay some of the Group's bank borrowings, to fund expansion of the Group's operations, investment opportunities and for purposes of working capital and return on equity management.

The Proposed Bonds Issue is still subject to the approvals from the relevant authorities and the shareholders of the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

42 SEGMENTAL INFORMATION cont'd

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

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 2004

	PLANTATION	PROPERTY DEVELOP- MENT	PROPERTY INVEST- MENT	RESOURCE- BASED MANU- FACTURING	OTHER OPERA- TIONS	ELIMINA- TIONS	CONSOLI- DATED
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	524,520	685,189	45,943	3,658,301	79,501	-	4,993,454
Inter-segment sales	706,381	-	-	-	-	(706,381)	-
Total revenue	1,230,901	685,189	45,943	3,658,301	79,501	(706,381)	4,993,454
Result							
Segment result	631,086	315,487	21,336	156,361	22,887	-	1,147,157
Unallocated corporate expenses							(28,342)
Operating profit							1,118,815
Interest income							15,502
Finance costs							(59,851)
Share of profits of associates	7,661	-	-	29,801	117	-	37,579
Profit before taxation							1,112,045
Taxation							(220,429)
Profit after taxation							891,616
Minority interests							(190,066)
Net profit attributable to shareholders							701,550
Assets							
Segment assets	3,530,544	1,373,085	599,856	2,347,528	451,754	-	8,302,767
Investment in associates	81,090	-	-	135,133	3,674	-	219,897
Unallocated corporate assets							278,430
Consolidated total assets							8,801,094
Liabilities							
Segment liabilities	126,615	157,665	25,189	310,824	42,524	-	662,817
Unallocated corporate liabilities							2,514,886
Consolidated total liabilities							3,177,703
Other Information							
Capital expenditure	74,167	5,469	2,235	46,891	17,297	-	146,059
Depreciation and amortisation	58,360	5,019	3,143	87,407	11,373	-	165,302
Non-cash items other than depreciation and amortisation	1,657	1,100	1,044	26,027	18,355	-	48,183

NOTES TO THE FINANCIAL STATEMENTS

cont'd

42 SEGMENTAL INFORMATION cont'd

Business Segments 2003

	PLANTATION	PROPERTY DEVELOP- MENT	PROPERTY INVEST- MENT	RESOURCE- BASED MANU- FACTURING	OTHER OPERA- TIONS	ELIMINA- TIONS	CONSOLI- DATED
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	1,964,127	556,835	–	7,098,890
Investment in associates	83,664	–	–	144,799	3,614	–	232,077
Unallocated corporate assets							248,756
Consolidated total assets							7,579,723
Liabilities							
Segment liabilities	91,547	148,966	49,182	264,347	67,488	–	621,530
Unallocated corporate liabilities							2,232,576
Consolidated total liabilities							2,854,106
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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

42 SEGMENTAL INFORMATION cont'd

Geographical Segments

	MALAYSIA RM'000	EUROPE RM'000	NORTH AMERICA RM'000	ASIA RM'000	OTHERS RM'000	CONSOLIDATED RM'000
2004						
Revenue from external customers by location of customers	2,060,743	930,243	515,222	1,265,395	221,851	4,993,454
Segment assets by location of assets	6,957,782	800,984	349,694	161,116	33,191	8,302,767
Capital expenditure by location of assets	126,407	11,826	7,541	–	285	146,059
2003						
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	747,693	337,174	156,539	17,103	7,098,890
Capital expenditure by location of assets	184,304	8,025	1,486	5,575	49	199,439

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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:

	GROUP	
	2004	2003
	RM'000	RM'000
Liabilities Payable		
Amount due to associates	2,739	2,739
Trade payables	268,158	216,983
Other payables and accruals	301,597	313,982
Bank overdrafts	15,809	12,148
Short term borrowings ¹	345,552	191,354
Taxation	48,471	23,536
Term loans	1,687,748	1,689,691
Club membership deposits	15,115	14,990
	2,685,189	2,465,423
Less:		
Short term funds	21,254	44,649
Deposits with financial institutions	339,565	218,659
Cash and bank balances	333,575	236,524
	1,990,795	1,965,591
Payable as follows:		
Within 2 years ²	729,859	586,310
Between 2 to 5 years	1,212,017	1,164,361
After 5 years	48,919	214,920
	1,990,795	1,965,591
Debts Receivable		
Amount due from associates	-	3,437
Trade receivables	553,811	398,548
Other receivables, deposits and prepayments	116,007	154,655
Amount due from customers on contracts	410	624
Tax recoverable	9,767	1,247
	679,995	558,511
Receivable as follows:		
Within 2 years	679,995	558,511
Between 2 to 5 years	-	-
	679,995	558,511

NOTES

- 1 Included in short term borrowings of RM345,552,000 (2003 - RM191,354,000) are revolving credit facilities of RM83,032,000 (2003 - RM49,468,000) and Commercial Papers of RM232,000,000 (2003 - RM140,000,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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
	2004	2003	
Direct Subsidiaries			
Plantation			
B. A. Plantations Sdn Bhd	100%	–	Cultivation of oil palm
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
Mayvin (Sabah) Sdn Bhd *	100%	–	Cultivation of oil palm
Pine Capital Sdn Bhd *	100%	–	Cultivation of oil palm
Right Purpose Sdn Bhd *	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	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
Mayvin Incorporated Sdn Bhd *	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
Syarikat 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%	Cultivation of oil palm, processing of palm oil and investment holding
IOI Commodity Trading Sdn Bhd	100%	100%	Trading in 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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Direct Subsidiaries cont'd			
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	67%	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
Projects IOI (Mauritius) Ltd * (Incorporated in Mauritius)	55%	–	Investment holding
Resource-based Manufacturing			
IOI Edible Oils Sdn Bhd *	100%	100%	Commodities trading, palm oil refinery/kernel crushing plant
Loders Croklaan Group B. V. * (Incorporated in The Netherlands)	100%	100%	Investment holding
IOI Oleochemical Industries Berhad * (Formerly known as Palmco Holdings Berhad)	60%	51%	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. * (Incorporated in The Netherlands Antilles)	100%	100%	Investment holding
Swee Lam Estates (Malaya) Sdn Berhad	100%	100%	Investment holding
Jasasinar Multimedia Sdn Bhd	94%	94%	Inactive
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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Direct Subsidiaries cont'd			
Non-Segment cont'd			
Perfect Format Sdn Bhd	100%	100%	Pre-operating
Tampoi Development Sdn Bhd	100%	100%	Pre-operating
Indirect Subsidiaries			
Plantation			
Subsidiaries of B. A. Plantations Sdn Bhd			
Kesan Jadi Sdn Bhd	100%	–	Cultivation of oil palm
Subsidiaries of Mayvin (Sabah) Sdn Bhd			
Deramakot Plantations Sdn Bhd *	100%	–	Cultivation of oil palm
Ladang Mayvin Sdn Bhd *	100%	–	Cultivation of oil palm
Mowtas Plantations Sdn Bhd *	100%	–	Cultivation of oil palm
Sri Mayvin Plantation Sdn Bhd *	100%	–	Cultivation of oil palm
Subsidiaries of Pine Capital Sdn Bhd			
Ladang Tebu Batu Putih Sdn Bhd *	100%	–	Cultivation of oil palm
Luminous Aspect Sdn Bhd *	100%	–	Cultivation of oil palm
Priceland Plantation Sdn Bhd *	100%	–	Cultivation of oil palm
Sayang Sagama Sdn Bhd *	100%	–	Cultivation of oil palm
Sri Vagas Sdn Bhd *	100%	–	Cultivation of oil palm
Sri Yongdankong Sdn Bhd *	100%	–	Cultivation of oil palm
Subsidiaries of Mayvin Incorporated Sdn Bhd			
Gamore Corporation Sdn Bhd *	100%	–	Cultivation of oil palm
Vantage Wealth Sdn Bhd *	100%	–	Cultivation of oil palm
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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
Subsidiaries of Ladang Sabah Holdings Sdn Bhd			
Ladang Sabah Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Subsidiaries of Ladang Sabah Sdn Bhd			
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%	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
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Plantations (Sabah) Sdn Bhd *	60%	51%	Cultivation of oil palm
Unipamol Malaysia Sdn Bhd *	60%	51%	Investment holding
Subsidiaries of Unipamol Malaysia Sdn Bhd			
Pamol Bintang Sdn Bhd *	60%	51%	Dormant
Pamol Plantations Sdn Bhd *	60%	51%	Cultivation of oil palm and processing of palm oil

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd *	42%	36%	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd *	42%	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
Subsidiary of Projects IOI (Mauritius) Ltd			
A. P. Gems & Jewellery Park Pvt Ltd (India) * (Incorporated in India)	49%	–	Property investment
Subsidiaries of IOI Properties Berhad			
Cahaya Kota Development Sdn Bhd	67%	65%	Property development, property investment and investment holding
Flora Development Sdn Bhd	67%	65%	Property development
Kapar Realty And Development Sdn Berhad	45%	44%	Property development
Kumpulan Mayang Sdn Bhd	67%	65%	Property development
Pine Properties Sdn Bhd	67%	65%	Property development and property investment
Dynamic Management Sdn Bhd	67%	65%	Property development and investment holding
Commercial Wings Sdn Bhd	67%	65%	Property investment
Property Skyline Sdn Bhd *	60%	59%	Provision of management services and investment holding
Flora Horizon Sdn Bhd	67%	65%	Pre-operating
Pilihan Teraju Sdn Bhd	67%	65%	Pre-operating
Hartawan Development Sdn Bhd	67%	65%	Inactive
Jutawan Development Sdn Bhd	67%	65%	Inactive
Paduwan Development Sdn Bhd	67%	65%	Inactive
Paska Development Sdn Bhd	67%	65%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
Subsidiaries of Cahaya Kota Development Sdn Bhd			
IOI Building Services Sdn Bhd	67%	65%	Building maintenance services
Lush Development Sdn Bhd	67%	65%	Inactive
Riang Takzim Sdn Bhd	67%	65%	Inactive
Tanda Bestari Development Sdn Bhd	67%	65%	Inactive
Subsidiaries of Dynamic Management Sdn Bhd			
Paksi Teguh Sdn Bhd	67%	65%	General contractors
Pilihan Megah Sdn Bhd	67%	65%	Property development, property investment and investment holding
Subsidiary of Pilihan Megah Sdn Bhd			
Future Link Properties Pte Ltd * (Incorporated in Singapore)	41%	40%	Property investment
Subsidiaries of Property Skyline Sdn Bhd			
Nice Frontier Sdn Bhd *	62%	60%	Property development, property investment and cultivation of oil palm
Property Village Berhad *	54%	53%	Property development, golf club and recreational services and investment holding
Subsidiary of Property Village Berhad			
Baycrest Sdn Bhd *	54%	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 IOI Oleochemical Industries Berhad			
Palmex Industries Sdn Berhad *	60%	51%	Property development and investment holding
Palmco Properties Sdn Bhd *	60%	51%	Property investment
PMX Bina Sdn Bhd *	60%	51%	General contractor

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
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 Specialty Fats Sdn Bhd *	100%	100%	Commodities trading and palm oil refinery
IOI Jeti Sdn Bhd *	100%	100%	Inactive
Subsidiaries of IOI Oleochemical Industries Berhad			
Acidchem International Sdn Bhd *	60%	51%	Manufacturing of fatty acids and glycerine
Derichem (M) Sdn Bhd *	60%	51%	Manufacturing of soap noodles
Esterchem (M) Sdn Bhd *	60%	51%	Trading in esters
Stabilchem (M) Sdn Bhd *	60%	51%	Manufacturing of metallic stearates
Palmco Oil Mill Sendirian Berhad *	60%	51%	Trading in commodities
Subsidiaries of Loders Croklaan Group B. V.			
Loders Croklaan B. V. * (Incorporated in The Netherlands)	100%	100%	Manufacturing of specialty oils and fats
Loders Croklaan Canada Inc. * (Incorporated in Canada)	100%	100%	Manufacturing of specialty oils and fats
Loders Croklaan USA B. V. * (Incorporated in The Netherlands)	100%	100%	Investment holding
Loders Croklaan For Oils S.A.E. Egypt * (Incorporated in Egypt)	100%	100%	Production of emulsified raw materials and semi finished goods on oils and fats
Loders Croklaan Malaysia Sdn Bhd	100%	100%	Inactive
Subsidiary of Loders Croklaan USA B. V.			
Loders Croklaan USA LLC* (Incorporated in United States of America)	100%	100%	Manufacturing of specialty oils and fats

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
Subsidiary of Loders Croklaan For Oils S. A. E. Egypt			
Loders Croklaan Trading & Distribution LLC Egypt * (Incorporated in Egypt)	100%	100%	Trading and marketing of food-based products
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Jaya Sendirian Berhad *	60%	51%	Bulk cargo warehousing
Palmco Hotels Sdn Bhd *	60%	51%	Hotel and related activities
Palmco Management Services Sdn Bhd *	60%	51%	Management services and rental of storage tanks
Care Security Services Sdn Bhd *	60%	51%	Management of collection of service charges
Performance Chemicals (M) Sdn Bhd *	60%	51%	Dormant
Palmina Sendirian Berhad *	60%	51%	Dormant
Palmco Plantations Sendirian Berhad *	60%	51%	Dormant
Palmco Cocoa Sendirian Berhad *	60%	51%	Dormant
Direct Consolidated Sdn Bhd *	60%	51%	Dormant
Quantum Green Sdn Bhd *	60%	51%	Dormant
Acidchem (Sabah) Sdn Bhd *	60%	51%	Dormant
Subsidiary of Acidchem International Sdn Bhd			
Acidchem (USA) Inc * (Incorporated in United States of America)	60%	51%	Trading in fatty acids and glycerine
Subsidiary of Palmex Industries Sdn Berhad			
Palmco International (HK) Limited * (Incorporated in Hong Kong)	60%	51%	Investment holding
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * (Incorporated in Hong Kong)	60%	51%	Investment holding
Acidchem (Singapore) Pte Ltd * (Incorporated in Singapore)	60%	51%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

cont'd

44 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

NAME OF COMPANY	EFFECTIVE GROUP INTEREST		PRINCIPAL ACTIVITY
	2004	2003	
Indirect Subsidiaries cont'd			
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil & Fats Co Ltd * (Incorporated in People's Republic of China)	60%	51%	Dormant
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			
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 IOI Properties Berhad			
Continental Estates Sdn Bhd	16%	16%	Property development and cultivation of oil palm
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	18%	15%	Manufacturing of fatty alcohol and methyl esters
Kao Plasticizer (Malaysia) Sdn Bhd	18%	15%	Manufacturing of plasticizer and other chemical products
Associate of Palmex Industries Sdn Berhad			
Malaysia Pakistan Venture Sdn Bhd	15%	13%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

cont'd

45 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group changed its accounting policy to comply with the following new MASB Standard:

MASB 29, Employee Benefits

The increase in defined benefit liability on first adoption of MASB 29 on 1 July 2003 is recognised as an expenses on a straight line basis over 2 years in accordance with the transitional provision of the Standard. The amounts of transitional liability charged to income statements of the Group and of the Company for the financial year are RM702,000 and RM456,000 respectively (Note 32.1). Unrecognised transitional liability of the Group and of the Company at 30 June 2004 amounted to RM702,000 and RM456,000 respectively (Note 32.1).

In addition, the following comparative figures have been restated on first adoption of MASB 29:

GROUP	AS PREVIOUSLY		AS RESTATED RM'000
	REPORTED RM'000	RECLASSIFICATION RM'000	
Balance Sheet			
Other receivables, deposits and prepayments	160,966	(6,311)	154,655
Retirement Benefits	65,113	(6,311)	58,802

46 COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the reclassification as disclosed in Note 45.

47 AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2004 were authorised for issue by the Board of Directors on 30 August 2004.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 102 to 196 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2004 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Yeo How
Executive Director

Putrajaya
30 August 2004

STATUTORY DECLARATION

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 102 to 196 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 provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed) **Dato' Yeo How**
at Puchong, Selangor Darul Ehsan)
this 30 August 2004)

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 102 to 196. 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 2004 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

235/06/05 (J/PH)

Partner

Kuala Lumpur

30 August 2004

GROUP PROPERTIES

A PLANTATION ESTATES

LOCATION	TENURE	AREA (HECTARE)	CROP PLANTED	FACTORY/ MILL	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Pahang Darul Makmur						
Bukit Dinding Estate Bentong	Freehold	1,661	OP	-	19,181	1983
Pukin Estate Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,411	OP	M	42,182	1985
Mekassar Estate Pekan Rompin	Leasehold expiring 2075	1,223	OP	-	19,904	1985
Detas Estate Pekan	Leasehold expiring 2081	2,301	OP	-	26,743	1989
Bukit Leelau Estate Pekan	Leasehold expiring 2088	2,096	OP	M	24,793	1989
Merchong Estate Pekan	Leasehold expiring 2075	1,953	OP	-	29,485	1990
Leepang A Estate Rompin	Leasehold expiring 2065	2,404	OP	-	17,668	2000
Laukin A Estate Rompin	Leasehold expiring 2065	1,620	OP	-	10,309	2000
Shahzan IOI Estate Rompin	Leasehold expiring 2061	3,204	OP	-	16,249	2002
Negeri Sembilan Darul Khusus						
Regent Estate Tampin	Freehold	2,303	OP R	-	42,011	1990
Bahau Estate Kuala Pilah	Freehold	3,020	OP R	-	54,397	1990
Kuala Jelei Estate Kuala Pilah	Freehold	678	OP	-	12,760	1990

GROUP PROPERTIES

cont'd

A PLANTATION ESTATES cont'd

LOCATION	TENURE	AREA (HECTARE)	CROP PLANTED	FACTORY/ MILL	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Johor Darul Takzim						
Gomali Estate Segamat	Freehold	3,602	OP	M	82,182	1990
Paya Lang Estate Segamat	Freehold	1,469	OP	F	26,028	1990
Tambang Estate Segamat	Freehold	2,020	OP	-	38,952	1990
Bukit Serampang Estate Tangkak	Freehold	2,721	OP	-	47,430	1990
Kahang Estate Kluang	Leasehold expiring 2082	2,420	OP	-	37,053	1990
Sagil Estate Tangkak	Freehold	2,521	OP R	-	44,728	1990
Segamat Estate Segamat	Freehold	1,921	OP R	-	37,077	1990
Pamol Plantations Estate Kluang	Freehold	8,110	OP	M	273,709	2003
Sabah						
Morisem 1 Estate Kinabatangan	Leasehold expiring 2080	2,032	OP	-	27,427	1993
Morisem 2 Estate Kinabatangan	Leasehold expiring 2087	2,023	OP	-	27,314	1993
Morisem 3 Estate Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	M	51,240	1993
Morisem 4 Estate Kinabatangan	Leasehold expiring 2089	2,023	OP	-	25,271	1993
Morisem 5 Estate Kinabatangan	Leasehold expiring 2078	1,878	OP	M	35,268	1993
Baturong 1 - 3 Estates Kunak	Leasehold expiring 2081	7,485	OP	M	65,817	1991

GROUP PROPERTIES

cont'd

A PLANTATION ESTATES cont'd

LOCATION	TENURE	AREA (HECTARE)	CROP PLANTED	FACTORY/ MILL	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Sabah cont'd						
Halusah Estate Lahad Datu	Leasehold expiring 2076, 2078	813	OP	-	175	1991
Syarimo 1 - 9 Estates Kinabatangan	Leasehold expiring 2077-2990	18,367	OP	M	224,488	1985-2000
Permodalan Estate Kinabatangan	Leasehold expiring 2078	8,093	OP	-	109,688	1995
Laukin Estate Sugut	Leasehold expiring 2077	2,128	OP	-	29,839	1996
Sakilan Estate Sandakan	Leasehold expiring 2887	2,296	OP	M	49,632	1996
Ladang Sabah Labuk-Sugut	Leasehold expiring 2082, 2087, 2089	11,592	OP	M	243,772	1998
Cantawan Estate Lahad Datu	Leasehold expiring 2061, 2066, 2078, 2079 - 2080	1,452	OP	-	32,131	1998
Tas Estate Kinabatangan	Leasehold expiring 2077	1,209	OP	-	28,957	1998
Tangulap Estate Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	-	61,605	2001
Bimbingan Estate Labuk-Sugut	Leasehold expiring 2083	3,893	OP	-	74,088	2001
Pamol Plantations Estate Labuk-Sugut	Leasehold expiring 2081, 2097	1,442	OP	-	16,757	2003

GROUP PROPERTIES

cont'd

A PLANTATION ESTATES cont'd

LOCATION	TENURE	AREA (HECTARE)	CROP PLANTED	FACTORY/ MILL	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Sabah cont'd						
Pamol Estate Labuk-Sugut	Leasehold expiring 2888	8,186	OP	M	202,783	2003
Milik Berganda Estate Labuk-Sugut	Leasehold expiring 2090	5,269	OP	-	106,086	2003
Linbar 1 & 2 Estate Kinabatangan	Leasehold expiring 2081	4,840	OP	-	119,960	2003
Mayvin 1 - 3 Estate Labuk-Sugut	Leasehold expiring 2079 - 2081 2090, 2092	3,423	OP	M	126,744	2003
Mayvin 4 - 6 Estate Kinabatangan	Leasehold expiring 2077,2082	4,238	OP	-	116,718	2003
Leepang 1 - 5 Estate Kinabatangan	Leasehold expiring 2080 - 2094, 2974 - 2995	9,241	OP	-	267,601	2003

OP Oil palm
R Rubber
M Oil palm mill
F Rubber factory

B DEVELOPMENT PROPERTIES

LOCATION	TENURE	INITIAL GROSS LAND AREA	BALANCE OF NET LAND AREA FOR DEVELOPMENT	USAGE	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Bandar Puchong Jaya - Parcel A Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	164 hectares	4 hectares	On-going mix development project	6,282	1989
Bandar Puchong Jaya - Parcel B Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	210 hectares	38 hectares	On-going mix development project	49,358	1990
Bandar Puteri Lots 12, 356, 5452-5473, 5475-5490 Puchong, Petaling Selangor Darul Ehsan	Freehold	374 hectares	139 hectares	On-going mix development project	353,457	1994
IOI Resort Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	37 hectares	16 hectares	Condominium and bungalow development	34,772	1990
Bandar Putra Lot 5418 (part) Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	332 hectares	94 hectares	On-going mix development project	69,522	1988
Bandar Putra Lots 3787, 5418, 26737, 3783, 3785 Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,967 hectares	919 hectares	On-going mix development project Labour lines, staff quarters, estate bungalows, stores	223,284 436	1988
Bandar Putra PTD 5746, 5747 & 5748 Segamat Johor Darul Takzim	Freehold	198 hectares	69 hectares	On-going mix development project	31,790	1990

GROUP PROPERTIES

cont'd

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 JUNE 2004	YEAR OF ACQUISITION/ REVALUATION
					RM'000	
Lot 2882, Grant 7920 Tangkak, Muar Johor Darul Takzim	Freehold	113 hectares	113 hectares	Homestead development	2,222	1990
Taman Bidara Seremban Negeri Sembilan Darul Khusus	Freehold	–	12,368 sq m	On-going mix development project	626	1985
Lot 1758 (part of CT 2121) Mukim Gemencheh Tampin, Negeri Sembilan Darul Khusus	Freehold	16 hectares	4 hectares	On-going mix development project	3,009	1990
Lot 18485 Sg Buloh, Petaling Selangor Darul Ehsan	Freehold	–	3,962 sq m	Future development land	1,460	1980
Taman Klang Utama Various sub-divided lots in Kapar, Klang Selangor Darul Ehsan	Freehold	–	2,525 sq m	Future development land	1,533	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	7,746	1990
Grant 9051 (Part) Tangkak, Muar Johor Darul Takzim	Freehold	20 hectares	20 hectares	On-going mix development project	5,158	1990

B DEVELOPMENT PROPERTIES cont'd

LOCATION	TENURE	INITIAL	BALANCE OF	USAGE	NET BOOK	YEAR OF
		GROSS LAND AREA	NET LAND AREA FOR DEVELOPMENT		VALUE AS AT 30 JUNE 2004 RM'000	
Lot 369 (Part), Title 1062 Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	1,308	1990
PTD 2637 Lot 2630 Mukim Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	3,000	2003
Lot 3015 Grant 186 Mukim Sabai, Bentong Pahang Darul Makmur	Freehold	446 hectares	446 hectares	Future development land	13,246	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	77,250	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	10,687	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.

GROUP PROPERTIES

cont'd

C INVESTMENT PROPERTIES

LOCATION	TENURE	LAND AREA	NET LETTABLE AREA	AREA USAGE	AGE OF BUILDING [YEAR]	NET BOOK VALUE	YEAR OF ACQUISITION/ REVALUATION
						AS AT 30 JUNE 2004 RM'000	
Amoda Building 22 Jalan Imbi Kuala Lumpur	Freehold	3,151 sq m	16,815 sq m	21 storey office block with a 5 storey annexe	17	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	8	151,237	2003*
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	38,849 sq m	6,624 sq m	45 units commercial lot	6	26,338	2003*
Mayang Plaza Jalan SS26/2 Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	Freehold	11,573 sq m	12,575 sq m	4 storey commercial complex	8	19,733	2003*
IOI Resort Putrajaya	Freehold	63,449 sq m	20,310 sq m	30 units of residential bungalow	3 - 8	52,325	2003*
One IOI Square IOI Resort Putrajaya	Freehold	5,746 sq m	18,319 sq m	12 storey new office building erected on existing land	1	44,384	1990
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	Freehold	43,482 sq m	22,880 sq m	3 storey shopping mall	3	49,430	2003*
IOI Plaza 210 Middle Road Singapore	Leasehold expiring 2095	2,600 sq m	8,740 sq m	12 storey office building	6	157,184	2003*
Flat 28 Marathon House 200 Marylebone Road London NW1 5 PW	Leasehold expiring 2996	-	80 sq m	Residential apartment	6	1,999	1999

* Year of revaluation

D INDUSTRIAL PROPERTIES

LOCATION	TENURE	LAND AREA	USAGE	AGE OF BUILDING (YEAR)	NET BOOK VALUE AS AT 30 JUNE 2004 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	16	654	1992
27, Section 13 Jalan Kemajuan Petaling Jaya Selangor Darul Ehsan	Leasehold expiring 2059	8,336 sq m	Industrial premises for rental	-	5,325	1984
Country lease 075365632, 075376279, 075469340 & 075376260 Sg Mowtas and Batu Sapi Sandakan Sabah	Leasehold expiring 2039, 2042 2044	22 hectares	Palm oil refinery	7	78,589	1995
Plot 57 Mukim 1 Bukit Tengah Industrial Park, Prai Penang	Leasehold expiring 2053	41,224 sq m	Vacant industrial land	-	2,841	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	25 3	56,593 9,902	2001
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2003	13,400 sq m	Bulk cargo terminal	30	99	2001
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2015	5,200 sq m	Bulking installation	30	-	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	15	-	2001
Loders Croklaan Hogeweg 1, 1520 Wormerveer Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	13 - 34	134,547	2002
Durkee Road 24708 W Channahon Illinois United States	Freehold	36 hectares	Specialty oils and fats manufacturing facilities	2 - 34	74,986	2002

GROUP PROPERTIES

cont'd

E OTHER PROPERTIES

LOCATION	TENURE	LAND/ BUILT UP AREA	USAGE	AGE OF BUILDING (YEAR)	NET BOOK VALUE AS AT 30 JUNE 2004 RM'000	YEAR OF ACQUISITION/ REVALUATION
Palm Garden Hotel Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	12,181 sq m	152-room hotel	8	19,267	1990
IOI Palm Garden Golf Course Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	90 hectares	27-hole golf course and clubhouse	11	45,446	1990
Lot 17351-17355 Petaling Selangor Darul Ehsan	Freehold	1,376 sq m	IOI headoffice, 4 units 3.5 storey shopoffices	10	1,153	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	8	393	1997
IOI Resort Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	6 hectares	Hotel and 12 storey new office building erected on existing land	1 - 2	150,557	1990
HSD 45890 PT 9427 Mukim Petaling Selangor Darul Ehsan	Leasehold expiring 2026	1,803 sq m	Petrol station land	-	10	1992

E OTHER PROPERTIES cont'd

LOCATION	TENURE	LAND/ BUILT UP AREA	USAGE	AGE OF BUILDING (YEAR)	NET BOOK VALUE AS AT 30 JUNE 2004	YEAR OF ACQUISITION/ REVALUATION
					RM'000	
Lot 40476 & 40480 Daerah Wilayah Persekutuan Kuala Lumpur	Freehold	3,018 sq m	Bungalow plots	–	1,976	1992
No. 1, Lebuhraya Putra Utama Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,041 sq m	Bandar Putra corporate office	7	1,346	1994
HS (D) 13605 PTD 4911 Mukim Segamat Segamat Johor Darul Takzim	Leasehold expiring 2046	6,930 sq m	Vacant industrial land	–	182	1986
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	96 hectares	27-hole golf course	–	18,747	1994
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	7 hectares	Clubhouse	3	7,745	1994
PT 3865, Pasir Pongay Port Dickson Negeri Sembilan Darul Khusus	Freehold	917 sq m	Holiday bungalow	21	105	1990
Lot 8, Jalan Segama Lahad Datu Sabah	Leasehold expiring 2894	112 sq m	Shoplot	11	100	1993
Lot 15, 16 & 17 Tengah Nipah Road Lahad Datu Sabah	Leasehold expiring 2894	2,280 sq m	Semi- detached house and staff apartments	18	1,125	1993

GROUP PROPERTIES

cont'd

E OTHER PROPERTIES cont'd

LOCATION	TENURE	LAND/ BUILT UP AREA	USAGE	AGE OF BUILDING (YEAR)	NET BOOK VALUE	YEAR OF ACQUISITION/ REVALUATION
					AS AT 30 JUNE 2004 RM'000	
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	3	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
302 - H, Jalan Relau Desaria, Sg Ara Penang	Freehold	131 sq m	Shoplot	9	311	2001
Batu Ferringi 11100 Penang	Freehold	20,700 sq m	180-room hotel	29	48,577	2001
Lot 8165 Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq m	Vacant commercial land	–	150	2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of the Company will be held at Putrajaya I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Thursday, 21 October 2004 at 11.15 a.m. for the following purposes:

AGENDA

- 1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2004 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 Dato' Lee Yeow Chor
 - b Datuk Khalid B Hj Husin
- 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 RM315,000, 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.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

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 shareholders at the Extraordinary General Meetings held on 8 March 1995 and 27 March 2000 respectively, the Directors of the Company be and are hereby authorised 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 Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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 applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to utilise up to the aggregate of the Company's latest audited retained earnings and share premium account 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 Bursa Malaysia 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;

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 Bursa Malaysia;

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;

NOTICE OF ANNUAL GENERAL MEETING

cont'd

AGENDA cont'd

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 the 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 Listing Requirements of Bursa Malaysia Securities Berhad 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 2004 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
- b disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year,

NOTICE OF ANNUAL GENERAL MEETING

cont'd

AGENDA cont'd

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 YOK
SECRETARIES

Putrajaya
29 September 2004

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 Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia 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 Bursa Malaysia. 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 21 October 2003. 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 2004.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28 (2)
OF THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD

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:
- DATO' LEE YEOW CHOR
 - DATUK KHALID B HJ HUSIN
- 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 pages 53 to 56. Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 73.

2 Date, Time and Venue of the Annual General Meeting

The Thirty-Fifth Annual General Meeting of the Company will be held as follows:

- Date • Thursday, 21 October 2004
- Time • 11.15 a.m.
- Venue • Putrajaya I (Level III)
Putrajaya Marriott Hotel
IOI Resort, 62502 Putrajaya
Malaysia

SHAREHOLDERS INFORMATION

AS AT 3 SEPTEMBER 2004

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	:	10,375

ANALYSIS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	TOTAL HOLDINGS	%
1-99	158	4,753	0.00
100-1,000	3,619	3,257,975	0.29
1,001-10,000	5,031	20,338,087	1.81
10,001-100,000	1,005	33,046,136	2.94
100,001-56,122,978	560	784,353,319	69.88
56,122,979 and above	2	281,459,320	25.08
Total	10,375	1,122,459,590	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	209,485,220	18.66
2 Progressive Holdings Sdn Bhd	71,974,100	6.41
3 RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd	50,000,000	4.45
4 Employees Provident Fund Board	42,102,800	3.75
5 Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Progressive Holdings Sdn Bhd	38,000,000	3.39
6 Cartaban Nominees (Asing) Sdn Bhd Qualifier: Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	23,060,700	2.05
7 Annhow Holdings Sdn Bhd	17,286,500	1.54
8 Desa Mayang Sdn Bhd	13,602,380	1.21
9 Rickoh Holdings Sdn Bhd	13,557,342	1.21
10 Cartaban Nominees (Asing) Sdn Bhd Qualifier: Credit Suisse Singapore for Crystal Palace Investments Limited	13,079,000	1.17
11 Nagawan Development Sdn Bhd	12,379,929	1.10
12 HSBC Nominees (Asing) Sdn Bhd Qualifier: Emerging Markets Growth Fund	11,920,900	1.06
13 Citicorp Nominees (Asing) Sdn Bhd Qualifier: CB LDN for First State Asia Pacific Fund	11,169,000	1.00
14 Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	10,978,630	0.98
15 DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier: UBS AG Singapore for Westmead Holdings Limited	10,242,000	0.91
16 Cartaban Nominees (Asing) Sdn Bhd Qualifier: Credit Suisse Singapore for Happy Palace Investments Limited	10,000,000	0.89
17 Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Desa Mayang Sdn Bhd	10,000,000	0.89

SHAREHOLDERS INFORMATION

AS AT 3 SEPTEMBER 2004
cont'd

LIST OF TOP 30 SHAREHOLDERS cont'd

NAME	NO. OF SHARES HELD		%
18 DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier: UBS AG Singapore for Narisa Heights Investments Limited	9,891,200		0.88
19 Tan Sri Dato' Lee Shin Cheng	9,688,983		0.86
20 Cartaban Nominees (Asing) Sdn Bhd Qualifier: Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (J)	8,755,900		0.78
21 Cartaban Nominees (Asing) Sdn Bhd Qualifier: SSBT Fund HG22 for Smallcap World Fund, Inc.	8,500,000		0.76
22 Citicorp Nominees (Asing) Sdn Bhd Qualifier: Royal Bank of Scotland as Depository for First State Global Emerging Markets Fund	7,392,000		0.66
23 HSBC Nominees (Asing) Sdn Bhd Qualifier: Saudi Arabian Monetary Agency	6,847,400		0.61
24 Valuecap Sdn Bhd	6,800,000		0.61
25 Lai Ming Chun @ Lai Poh Lin	6,676,986		0.59
26 HSBC Nominees (Asing) Sdn Bhd Qualifier: BNY Brussels for The State Teachers Retirement System of Ohio (Stewart Ivory)	6,172,000		0.55
27 HSBC Nominees (Asing) Sdn Bhd Qualifier: BOB HK for The Overlook Partners Fund L P	5,999,400		0.53
28 Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Annhow Holdings Sdn Bhd	5,845,000		0.52
29 HSBC Nominees (Asing) Sdn Bhd Qualifier: Stichting Pensioenfond Abp.	5,280,900		0.47
30 HSBC Nominees (Asing) Sdn Bhd Qualifier: Coal Staff Superannuation Scheme Trustees Limited	5,209,700		0.46
Total	661,897,970		58.95

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

NAME OF SHAREHOLDERS	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
1 Tan Sri Dato' Lee Shin Cheng	9,688,983	0.86	422,904,629 *	37.71
2 Dato' Lee Yeow Chor	628,000	0.06	382,459,320 **	34.10
3 Puan Sri Datin Hoong May Kuan	–	–	432,593,612 ***	38.57
4 Lee Yeow Seng	90,000	0.01	382,459,320 **	34.10
5 Progressive Holdings Sdn Bhd	382,459,320	34.10	–	–

* Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd and Nagawan Development Sdn Bhd, and shares held by his sons, Dato' Lee Yeow Chor and Lee Yeow Seng.

** Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd.

*** Deemed interested by virtue of her interest and the interest of her spouse, Tan Sri Dato' Lee Shin Cheng in Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd and Nagawan Development Sdn Bhd, the interest of her sons, Dato' Lee Yeow Chor and Lee Yeow Seng in Progressive Holdings Sdn Bhd and shares held by Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng.

PROXY FORM

IOI Corporation Berhad
(Company No. 9027-W)
(Incorporated in Malaysia)

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-Fifth Annual General Meeting of the Company to be held at Putrajaya I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Thursday, 21 October 2004 at 11.15 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 2004 and the Reports of the Directors and Auditors thereon		
2 To re-elect Dato' Lee Yeow Chor as a Director		
3 To re-elect Datuk Khalid B Hj Husin 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	2004
Second proxy	:	%			
		100%			
No. of Shares Held	:				
CDS A/C No.	:				

Signature of Shareholder

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 Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

fold here

stamp

The Company Secretary
IOI Corporation Berhad
Two IOI Square
IOI Resort, 62502
Putrajaya, Malaysia

fold here