

PPB GROUP BERHAD (8167-W)
INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2004

(The figures have not been audited)

Condensed Consolidated Income Statements For The Period Ended 30 September 2004

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Revenue	2,919,638	2,498,478	8,316,166	6,750,560
Operating expenses	(2,750,027)	(2,355,230)	(7,886,635)	(6,344,310)
Other operating income	2,154	7,346	17,886	31,608
Profit from operations	171,765	150,594	447,417	437,858
Net profit from investing activities	14,783	8,264	35,020	14,389
Share of associated companies' profits less losses	11,445	38,958	56,158	81,415
Finance costs	(3,919)	(1,131)	(12,099)	(7,435)
Profit before taxation	194,074	196,685	526,496	526,227
Taxation	(54,240)	(44,152)	(140,204)	(130,363)
Profit after taxation	139,834	152,533	386,292	395,864
Minority interest	(42,913)	(49,685)	(118,195)	(124,335)
Net profit for the period	96,921	102,848	268,097	271,529
Earnings per share (sen) :-				
(a) Basic earnings per ordinary share	17.97	20.96	52.87	55.34
(b) Diluted earnings per ordinary share	-	20.92	-	55.27

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

Condensed Consolidated Balance Sheets

	As at 30-Sep-04 RM'000 (Unaudited)	As at 31-Dec-03 RM'000 (Audited)
Property, plant and equipment	2,617,066	2,478,584
Land held for property development	17,528	16,679
Investment in associated companies	571,913	535,668
Investment in jointly controlled entities	38,809	27,547
Long term investments	405,812	412,098
Goodwill on consolidation	35,455	34,779
Deferred tax assets	7,841	7,450
Current Assets		
Inventories	797,506	810,429
Property development costs	19,095	32,910
Receivables	928,893	724,432
Cash, bank balances and deposits	665,444	724,579
	2,410,938	2,292,350
Current Liabilities		
Payables	626,630	565,299
Short term borrowings	471,226	390,942
Taxation	28,719	25,976
	1,126,575	982,217
Net Current Assets	1,284,363	1,310,133
	4,978,787	4,822,938
Financed by :		
Share Capital	592,750	490,623
Reserves	3,190,478	2,497,404
Shareholders' equity	3,783,228	2,988,027
Minority interest	748,463	1,482,721
Long term borrowings	143,987	83,877
Reserve on consolidation	22,783	12,233
Deferred tax liabilities	280,326	256,080
	4,978,787	4,822,938
	4,978,787	4,822,938
Net tangible assets per share (sen)	632	602

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

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 September 2004

	Non-distributable Reserves							
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Total reserves RM'000	Retained profits RM'000	Total RM'000
9 months ended 30 September 2004								
At 1 January 2004	490,623	21,128	88,354	36,758	144,030	269,142	2,207,134	2,988,027
Net (losses)/gains not recognised in the income statement	-	-	48,908	(10,056)	(5,266)	33,586	-	33,586
Net profit for the period	-	-	-	-	-	-	268,097	268,097
Transfer of reserves	-	-	(1,054)	-	20	(1,034)	1,034	-
Dividend paid	-	-	-	-	-	-	(114,368)	(114,368)
Issue of shares	102,127	507,570	-	-	-	-	-	609,697
Shares issue expenses	-	(1,811)	-	-	-	-	-	(1,811)
At 30 September 2004	<u>592,750</u>	<u>526,887</u>	<u>136,208</u>	<u>26,702</u>	<u>138,784</u>	<u>301,694</u>	<u>2,361,897</u>	<u>3,783,228</u>
9 months ended 30 September 2003								
At 1 January 2003								
- As previously reported	490,623	21,128	133,300	31,997	140,391	305,688	2,009,414	2,826,853
- Prior year adjustment	-	-	(45,684)	-	(247)	(45,931)	(78,124)	(124,055)
- As restated	490,623	21,128	87,616	31,997	140,144	259,757	1,931,290	2,702,798
Net (losses)/gains not recognised in the income statement	-	-	(528)	1,781	349	1,602	(1,016)	586
Net profit for the period	-	-	-	-	-	-	271,529	271,529
Transfer of reserves	-	-	(650)	-	134	(516)	516	-
Dividend paid	-	-	-	-	-	-	(88,312)	(88,312)
At 30 September 2003	<u>490,623</u>	<u>21,128</u>	<u>86,438</u>	<u>33,778</u>	<u>140,627</u>	<u>260,843</u>	<u>2,114,007</u>	<u>2,886,601</u>

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

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Cash Flow Statement
For The Financial Period Ended 30 September 2004

	9 months ended 30 September	
	2004	2003
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	526,496	526,227
Adjustments :-		
Non-cash items	56,495	24,869
Non-operating items	<u>(14,115)</u>	<u>(5,986)</u>
Operating profit before working capital changes	568,876	545,110
Working capital changes		
Net change in current assets	(116,844)	110,171
Net change in current liabilities	<u>58,650</u>	<u>(30,547)</u>
Cash generated from operations	510,682	624,734
Tax paid	(105,440)	(75,895)
Net cash generated from operating activities	405,242	548,839
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(164,988)	(123,519)
Proceeds from disposal of property, plant and equipment	8,903	9,531
Investment in subsidiary companies	(209,201)	(30,772)
Investment in associated companies	(47,561)	(5,000)
Investment in jointly controlled entities	(11,262)	-
(Advances to)/repayment from associated companies	(62,402)	-
Dividend received from investments	29,885	17,683
Interest received	11,604	10,755
Other investing activities	23,401	(2,891)
Net cash used in investing activities	(421,621)	(124,213)
CASH FLOW FROM FINANCING ACTIVITIES		
Shares issued to minority shareholders of subsidiary companies	5,109	15,876
Bank borrowings	133,238	(112,949)
Interest paid	(11,655)	(7,541)
Dividends paid	(170,692)	(152,722)
Other financing activities	(2,360)	-
Net cash generated/(used in) financing activities	(46,360)	(257,336)
Net (decrease)/increase in cash and cash equivalents	(62,739)	167,290
Cash and cash equivalents at 1 January	715,636	466,410
Effect of exchange rate changes	(519)	(952)
Cash and cash equivalents at 30 September	652,378	632,748

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

NOTES

A. MASB 26 - Paragraph 16**A1. Accounting policies**

The interim financial statements of the Group are unaudited and have been prepared using the same accounting policies and methods of computation as those used in the preparation of the last annual financial statements for the financial year ended 31 December 2003, and comply with the requirements of MASB 26 - Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB").

A2. Disclosure of audit report qualification and status of matters raised

There was no qualification in the audit report of the preceding annual financial statements.

A3. Seasonal or Cyclicity of Interim Operations

The Group's operations are not affected by any seasonal or cyclical factors except for the oil palm plantation operations in which the cropping pattern declines to a trough in the first half of the year and rises to a peak in the second half, and this is reflected accordingly in the production from the Group's plantations and mills.

A4. Unusual items affecting assets, liabilities, equity, net income, or cash flow

There were no items of unusual nature, size or incidence that affect the assets, liabilities, equity, net income and cash flows of the Group during the current period under review.

A5. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, which have a material effect in the current interim period.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year-to-date.

A7. Dividends paid during the financial period ended 30 September 2004

	Individual Quarter 3 months ended 30-Sep-2004 RM'000	Cumulative Quarter 9 months ended 30-Sep-2004 RM'000
<u>Dividends paid on ordinary shares</u>		
2003 Final dividend - 5 sen tax exempt & 11 sen less 28% income tax	-	63,389
2004 Interim dividend - 5 sen tax exempt & 5 sen less 28% income tax	50,979	50,979
	<u>50,979</u>	<u>114,368</u>

A8. Segmental reporting

Segmental information in respect of the Group's business segments for the period ended 30 September 2004 :

<i>All figures in RM'000</i>	Sugar refining and cane plantation	Grains trading, flour & feed milling	Edible oils refining & trading	Oil palm plantations	Livestock farming	Packaging	Environmental engineering, waste management and utilities	Film exhibition and distribution	Property investment and development	Other operations	Elimination	Consolidated
REVENUE												
External Sales	557,212	605,470	6,333,492	112,747	41,010	79,218	116,745	78,553	80,186	311,533	-	8,316,166
Inter-Segment sales	-	38,375	95,098	314,671	6,483	12,470	-	-	802	38,788	(506,687)	-
Total revenue	<u>557,212</u>	<u>643,845</u>	<u>6,428,590</u>	<u>427,418</u>	<u>47,493</u>	<u>91,688</u>	<u>116,745</u>	<u>78,553</u>	<u>80,988</u>	<u>350,321</u>	<u>(506,687)</u>	<u>8,316,166</u>
RESULT												
Segment operating results	111,408	45,261	77,105	157,413	(477)	8,394	2,668	9,758	25,498	19,138	(59)	456,107
Unallocated corporate expense												(8,690)
Profit from operations												447,417
Investing activities												35,020
Finance costs												(12,099)
Share of associated companies' profits less losses	(686)	2,851	22,856	1,771	-	-	14,601	-	2,954	11,811	-	56,158
Profit before taxation												<u>526,496</u>

A9. Valuation of Property, Plant and Equipment

There were no amendments in the valuation of property, plant and equipment brought forward from the previous annual financial statements.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinued operations for the current interim period, except for the following:-

- (a) PPB's 55.56% subsidiary, PPB Oil Palms Berhad completed the acquisition of the following wholly-owned subsidiary companies, all of which are limited companies incorporated in the British Virgin Islands, for a total cash consideration of USD3,005 :-
 - (i) Trade Alpha Limited
 - (ii) Dexas Investments Limited
 - (iii) Rimkus Limited
 - (iv) Ferro Group Limited
 - (v) Fontille Overseas Ltd.

All the above subsidiary companies acquired are presently dormant.

- (b) Tri-Electro Sdn Bhd, a 76% indirect subsidiary of the Company, was placed under Members' Voluntary Winding-up on 4 August 2003. The liquidation is in progress.
- (c) Narwa Sdn Bhd, a 66.6% indirect subsidiary of the Company, was placed under Members' Voluntary Winding-up on 17 December 2003. The liquidation is still in progress.
- (d) Jasa Karya Sdn Bhd ("JKSB"), an indirect wholly-owned dormant subsidiary company, has been placed under Members' Voluntary Winding-up on 3 November 2004.
- (e) Leisure Bowl Centres Sdn Bhd, an indirect wholly-owned subsidiary company, has been placed under Members' Voluntary Winding-up on 22 September 2004.
- (f) Film Allied Services Sdn Bhd, an indirect wholly-owned subsidiary company, has been placed under Members' Voluntary Winding-up on 11 October 2004.

A12. Changes in contingent liabilities or contingent assets

There were no changes in the unsecured bank guarantees issued in consideration of credit facilities granted to associated companies as at 30 September 2004.

There were no contingent assets as at the end of the current interim period.

B. BMSB Listing Requirements (Part A of Appendix 9B)**B1. Review of Performance for the current quarter and financial year-to-date**

Group revenue of RM8.316 billion for the nine months ended 30 September 2004 was 23% higher compared with RM6.751 billion for the previous year mainly due to higher selling prices for palm oil and its related products, increased crop production, and higher sales volume of edible oils.

The Group has achieved a profit before tax of RM526 million which is similar with that of the corresponding period last year. Higher profit contributions from the oil palm plantation, shipping, waste management and utility divisions were off-set by the lower profits from grains trading, and flour and feed milling operations. The Group's other business operations have achieved satisfactory results.

B2. Material changes in the quarterly results compared to the results of the immediate preceding quarter

The Group profit before tax for the quarter under review of RM194 million was 31% higher compared with RM148 million for the preceding quarter. Profits from the plantation operations for the current quarter were doubled that of the preceding quarter due mainly to higher production. However, the grains trading, flour and feed milling divisions recorded lower profits due to higher raw material prices.

B3. Prospects for current financial year

For the last quarter of 2004, the performance of the sugar refining, grains trading, flour and feed milling divisions will continue to be affected by higher prices of raw materials and ocean freight. The edible oils trading operation will contribute lower profits in view of the difficult trading conditions whilst the plantation division continued to maintain its good performance. Overall, it is envisaged that Group profit for year 2004 will be comparable to that of 2003.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Taxation

	Individual Quarter 3 months ended 30-Sep-2004 RM'000	Cumulative Quarter 9 months ended 30-Sep-2004 RM'000
Taxation comprises:-		
Malaysian taxation based on profit for the period:-		
Current	45,496	116,008
Deferred	2,439	10,240
Share of taxation of associated companies	2,571	6,580
	50,506	132,828
Foreign taxation		
Current	916	1,343
Deferred	16	(906)
Share of taxation of associated companies	2,784	9,534
	54,222	142,799
(Over)/under provision		
Current	93	91
Deferred	(75)	(2,686)
	54,240	140,204

The effective tax rate is lower than the statutory rate mainly due to non-taxable income, lower tax rates in foreign jurisdiction and adjustment for overprovision of tax in the previous year.

B6. Profit/Loss on sale of unquoted investments and / or properties

There was no sale of unquoted investments. However, there was a profit on sale of properties amounting to RM 2.450 million for the current financial year-to-date under review.

B7. Quoted securities

(a) Total purchases and disposals of quoted securities for the current quarter and financial year-to-date under review are as follows :-

	Individual Quarter 3 months ended 30-Sep-2004 RM'000	Cumulative Quarter 9 months ended 30-Sep-2004 RM'000
Total cost of purchases	22	86
Total proceeds from disposals	5,841	13,524
Profit on disposal	4,606	7,158

(b) Total investments in quoted securities as at 30 September 2004 are as follows:-

	RM'000
At cost	400,986
At book value	393,335
At market value	615,956

B8. Status of corporate proposals

There were no corporate proposals announced but not completed as at 20 November 2004.

B9. Group borrowings

Total Group borrowings as at 30 September 2004 are as follows:-

	RM'000 Total	RM'000 Secured	RM'000 Unsecured
Long term bank loans	18,860	-	18,860
Long term bank loans (USD)	105,358	-	105,358
Long term bank loans (SGD)	2,883	2,883	-
Long term bank loans (RMB)	22,451	22,451	-
Hire purchase liabilities	1,605	1,605	-
Repayments due within the next 12 months	(7,170)	(1,030)	(6,140)
	<u>143,987</u>	<u>25,909</u>	<u>118,078</u>
Short term bank borrowings			
Bills payable	279,046	2,695	276,351
Short term loans	60,840	-	60,840
Short term loans (USD)	95,417	19,000	76,417
Short term loans (Vietnamese Dong)	15,687	-	15,687
Current portion of long term loans	6,485	345	6,140
Hire purchase liabilities	685	685	-
	<u>458,160</u>	<u>22,725</u>	<u>435,435</u>
Bank overdrafts	11,342	773	10,569
Bank overdrafts (SGD)	1,724	1,724	-
	<u>471,226</u>	<u>25,222</u>	<u>446,004</u>

B10. Off Balance Sheet Financial Instruments

Foreign Currency Contracts

The Group enters into forward foreign exchange contracts as a hedge for its confirmed sales and purchases in foreign currencies. The purpose of hedging is to protect the Group against unfavourable movement in exchange rate. Gains or losses from changes in the fair value of foreign currency contracts offset the corresponding losses or gains on the receivables and payables covered by the instrument.

As at 20 November 2004, the Group has hedged outstanding foreign currency contracts of USD118.202 million equivalent to RM449.852 million. These contracts are short term and majority are due to mature within the next five months.

There is minimal credit risk because these contracts are entered into with licensed financial institutions.

Besides a small fee, there is no cash requirement for these instruments.

Commodities Futures Contracts

The Group enters into commodity future contracts to hedge its exposure to price volatility in palm oil commodities. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

As at 20 November 2004, the Group's outstanding commodities futures sales contracts amounted to RM2.62 million and these outstanding contracts are due to mature within the next two and four months.

There is minimal credit risk because these contracts are entered into through the Bursa Malaysia Derivatives (formerly known as Malaysia Derivatives Exchange).

Besides a small fee, the Group is required to place margin deposit for these outstanding contracts.

B11. Material litigation

- (a) The Department of Lands and Surveys in Bintulu had on 21 July 2004 notified that the claim made by PPB's 70% indirect subsidiary company, Suburmas Plantations Sdn Bhd, for RM77.3 million on 2,176 hectares of land compulsorily acquired by the Sarawak State Government had been filed at the High court, Bintulu. However the date of hearing has not been fixed.
- (b) The court hearing on the suit filed at the High Court of Sabah and Sarawak in Sandakan ("the Court") against the Sabah State Government challenging the alienation of land to two indirect subsidiary companies of PPB, Hibumas Sdn Bhd and Penumilek Sdn Bhd, who were named as the Second and Third Defendants respectively, was held on 6 and 7 May 2004 and the Court will deliver its judgement in due course.

B12. Dividend

The Board of Directors is pleased to declare a second interim dividend for the financial year ending 31 December 2004 of 10 sen per share less 28% income tax (2003 : nil).

Dividend payment/entitlement date

Notice is hereby given that the interim dividend will be payable on Monday, 24 January 2005 to shareholders whose names appear in the Record of Depositors on Monday, 10 January 2005.

A Depositor shall qualify for entitlement only in respect of :-

- (i) Shares transferred into the Depositor's securities account before 4.00 pm on Monday, 10 January 2005 in respect of ordinary transfers,
- (ii) Shares bought on the Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the Rules of the BMSB.

Dividends Paid / Declared

Dividends paid and declared for financial year 2003 and up to the date of this report :-

Financial Year	Type	Rate	Payment Date
2003	Interim dividend	4 sen tax exempt & 5 sen less 28% income tax	26 September 2003
2003	Final dividend	5 sen tax exempt & 11 sen less 28% income tax	28 May 2004
2004	Interim dividend	5 sen tax exempt & 5 sen less 28% income tax	27 September 2004
2004	2nd Interim dividend	10 sen less 28% income tax	24 January 2005

B13. Earnings per Share

The basic earnings per share has been calculated by dividing the Group's net profit for each period by the weighted average of ordinary shares in issue during the period as follows :-

	INDIVIDUAL QUARTER 3 months ended 30 September 2004 RM'000	CUMULATIVE QUARTER 9 months ended 30 September 2004 RM'000
Net profit for the period	<u>96,921</u>	<u>268,097</u>
Number of ordinary shares in issue at beginning of period	490,623,124	490,623,124
Effects of shares issue	<u>48,843,260</u>	<u>16,460,000</u>
Weighted average of ordinary shares in issue at end of period	<u>539,466,384</u>	<u>507,083,124</u>

There is no diluted earnings per share for the current period or financial year-to-date as there were no dilutive potential ordinary shares.

Kuala Lumpur
26 November 2004

By Order of the Board
Tan Teong Boon
Company Secretary