

**PPB GROUP BERHAD (8167-W)**  
**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER**  
**ENDED 31 MARCH 2005**

*(The figures have not been audited)*

**Condensed Consolidated Income Statements For The Period Ended 31 March 2005**

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Revenue	2,584,422	2,578,036	2,584,422	2,578,036
Operating expenses	(2,451,351)	(2,446,080)	(2,451,351)	(2,446,080)
Other operating income	3,400	9,133	3,400	9,133
Profit from operations	136,471	141,089	136,471	141,089
Net profit from investing activities	6,859	7,151	6,859	7,151
Share of associated companies' profits less losses	15,303	39,977	15,303	39,977
Share of jointly controlled entities' profits less losses	(122)	-	(122)	-
Finance costs	(3,811)	(3,684)	(3,811)	(3,684)
Profit before taxation	154,700	184,533	154,700	184,533
Taxation	(45,969)	(43,379)	(45,969)	(43,379)
Profit after taxation	108,731	141,154	108,731	141,154
Minority interest	(21,750)	(43,249)	(21,750)	(43,249)
Net profit for the period	86,981	97,905	86,981	97,905
Earnings per share (sen) :-				
(a) Basic earnings per ordinary share	14.67	19.96	14.67	19.96
(b) Diluted earnings per ordinary share	-	-	-	-

**(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this report.)**

## Condensed Consolidated Balance Sheets

	As at 31-Mar-05 RM'000 (Unaudited)	As at 31-Dec-04 RM'000 (Audited)
Property, plant and equipment	2,671,899	2,642,271
Land held for property development	13,506	12,691
Investment in associated companies	601,579	598,741
Investment in jointly controlled entities	38,638	38,867
Long term investments	452,248	452,320
Goodwill on consolidation	34,163	34,687
Deferred tax assets	7,733	7,254
<b>Current Assets</b>		
Inventories	818,394	950,604
Property development costs	21,584	18,719
Receivables	859,424	840,030
Cash, bank balances and deposits	605,095	537,728
	2,304,497	2,347,081
<b>Current Liabilities</b>		
Payables	562,119	541,682
Short term borrowings	254,882	358,232
Taxation	28,605	32,688
	845,606	932,602
<b>Net Current Assets</b>	1,458,891	1,414,479
<b>Financed by :</b>		
Share Capital	592,750	592,750
Reserves	3,410,042	3,367,338
Shareholders' equity	4,002,792	3,960,088
Minority interest	801,543	779,395
Long term borrowings	156,444	149,751
Reserve on consolidation	25,121	25,409
Deferred tax liabilities	292,757	286,667
	5,278,657	5,201,310
<b>Net tangible assets per share (sen)</b>	670	662

**(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this report.)**

**Condensed Consolidated Statement Of Changes In Equity  
For The Period Ended 31 March 2005**

	Non-distributable Reserves								
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Sub-total RM'000	Retained profits RM'000	Dividends RM'000	Total RM'000
<b><u>3 months ended 31 March 2005</u></b>									
At 1 January 2005	592,750	526,874	164,674	31,024	152,282	347,980	2,449,806	42,678	3,960,088
Net (losses)/gains not recognised in the income statement	-	-	-	(1,660)	61	(1,599)	-	-	(1,599)
Net profit for the period	-	-	-	-	-	-	86,981	-	86,981
Transfer of reserves	-	-	(536)	-	154	(382)	382	-	-
Dividends	-	-	-	-	-	-	-	(42,678)	(42,678)
At 31 March 2005	<u>592,750</u>	<u>526,874</u>	<u>164,138</u>	<u>29,364</u>	<u>152,497</u>	<u>345,999</u>	<u>2,537,169</u>	<u>-</u>	<u>4,002,792</u>
<b><u>3 months ended 31 March 2004</u></b>									
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	-	-	-	(3,332)	(3,381)	(6,713)	-	-	(6,713)
Net profit for the period	-	-	-	-	-	-	97,905	-	97,905
Transfer of reserves	-	-	(424)	-	-	(424)	424	-	-
At 31 March 2004	<u>490,623</u>	<u>21,128</u>	<u>87,930</u>	<u>33,426</u>	<u>140,649</u>	<u>262,005</u>	<u>2,305,463</u>	<u>-</u>	<u>3,079,219</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 2004 and the accompanying explanatory notes attached to this report.)**

**PPB GROUP BERHAD (8167-W)**  
**Condensed Consolidated Cash Flow Statements**  
**For The Financial Period Ended 31 March 2005**

	3 months ended 31 March	
	2005	2004
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	154,700	184,533
Adjustments :-		
Non-cash items	23,294	(2,095)
Non-operating items	(141)	(929)
Operating profit before working capital changes	177,853	181,509
Working capital changes		
Net change in current assets	116,209	(157,592)
Net change in current liabilities	23,298	27,803
Cash generated from operations	317,360	51,720
Tax paid	(32,849)	(40,982)
<b>Net cash generated from operating activities</b>	<b>284,511</b>	<b>10,738</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(71,646)	(40,692)
Proceeds from disposal of property, plant and equipment	2,860	1,075
Investment in subsidiary companies	(41)	(1,830)
Investment in associated companies	-	(25)
Investment in jointly controlled entities	-	(11,310)
Proceeds from disposal of an associated company	834	-
Advances to from associated companies	(8,583)	(67,275)
Dividend received from investments	4,936	1,720
Interest received	3,230	3,288
Other investing activities	268	7,437
<b>Net cash used in investing activities</b>	<b>(68,142)</b>	<b>(107,612)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Shares issued to minority shareholders of subsidiary companies	1,069	-
Bank borrowings	(98,185)	59,586
Interest paid	(3,811)	(3,601)
Dividends paid	(42,678)	(12,345)
Other financing activities	(5,433)	(340)
<b>Net cash (used in)/generated from financing activities</b>	<b>(149,038)</b>	<b>43,300</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>67,331</b>	<b>(53,574)</b>
Cash and cash equivalents at 1 January	528,892	715,636
Effect of exchange rate changes	81	(301)
<b>Cash and cash equivalents at 31 March</b>	<b>596,304</b>	<b>661,761</b>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this report.)

## NOTES

**A. FRS (Financial Reporting Standards) 134 - Paragraph 16****A1. Accounting policies**

The interim financial statements of the Group 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 2004, and comply with the requirements of FRS 134 - Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of 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 and current 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 of 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**

	Individual Quarter 3 months ended 31-Mar-2005 RM'000	Cumulative Quarter 3 months ended 31-Mar-2005 RM'000
<u>Dividends paid on ordinary shares</u>		
2004 2nd interim dividend - 10 sen less 28% income tax	42,678	42,678

**A8. Segmental reporting**

Segmental information in respect of the Group's business segments for the financial period ended 31 March 2005

<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
<b>REVENUE</b>												
External sales	198,511	190,125	1,934,722	30,864	16,980	28,345	19,511	24,710	12,731	127,923	-	2,584,422
Inter-segment sales	-	13,033	25,497	105,307	2,180	4,272	-	-	281	11,915	(162,485)	-
Total revenue	<u>198,511</u>	<u>203,158</u>	<u>1,960,219</u>	<u>136,171</u>	<u>19,160</u>	<u>32,617</u>	<u>19,511</u>	<u>24,710</u>	<u>13,012</u>	<u>139,838</u>	<u>(162,485)</u>	<u>2,584,422</u>
<b>RESULT</b>												
Segment operating results	29,420	8,453	34,354	39,307	4,090	3,670	(481)	2,759	3,466	17,561	42	142,641
Unallocated corporate expense												(6,170)
Profit from operations												136,471
Investing activities												6,859
Finance costs												(3,811)
Share of associated companies' profits less losses	(1,665)	2,627	5,522	295	-	-	5,473	(184)	1,018	2,217	-	15,303
Share of jointly controlled entities' profits less losses	-	-	-	-	-	-	(122)	-	-	-	-	(122)
Profit before taxation												<u>154,700</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, except for the following:-

The Company has at its Extraordinary General Meeting held on 12 May 2005 approved the proposed 1 for 1 Bonus Issue of 592,749,941 new ordinary shares of RM1.00 each in the Company credited as fully paid-up (Bonus Issue) and the increase in the Company's authorised share capital from RM1 billion comprising 1,000,000,000 ordinary shares of RM1.00 each to RM2 billion comprising 2,000,000,000 ordinary shares of RM1.00. Bursa Malaysia Securities Berhad has on 24 May 2005, approved in-principle the additional listing of the 592,749,941 new ordinary shares of RM1.00 each to be issued pursuant to the Bonus Issue. The entitlement date for the Bonus Issue has been fixed on Friday, 10 June 2005.

**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) On 18 May 2005, PPB Oil Palms Berhad ("PPBOP"), a 55.6% subsidiary company of PPB acquired a 100% equity interest in Frissor Limited ("Frisor"), a limited company incorporated in the British Virgin Islands ("BVI"), for a cash consideration of USD651/-. Frissor in turn owns the entire issued and paid-up share capital of Richdelta Pte Ltd ("Richdelta"), a limited company incorporated in Singapore. Both Frissor and Richdelta are presently dormant.
- (b) On 25 April 2005, Johor Bahru Flour Mill Sdn Bhd, a 100% indirect subsidiary company of PPB acquired the entire issued and paid-up share capital comprising 1 ordinary share of S\$1.00 each in Cloverdale Trading Pte Ltd ("Cloverdale") for a total cash consideration of S\$980/-, making Cloverdale an indirect subsidiary of PPB. Cloverdale is currently dormant and will undertake the manufacturing, marketing and distribution of wheat flour and related products in Singapore.
- (c) On 3 March 2005, PPB entered into a share sales agreement to dispose of its entire 33.33% equity interest in Global Entertainment & Management Systems Sdn Bhd, comprising 100,000 ordinary shares of RM1.00 each for RM4.289 million. The transaction was completed on 11 March 2005.
- (d) On 12 January 2005, Rimkus Limited, a wholly-owned subsidiary company of PPB Oils Palms Berhad incorporated in BVI, acquired a total of 60% equity interest in a company known as PT Mentaya Sawit Mas ("MSM"), comprising 600 shares of Rp1 million each for cash at par equivalent to Rp600 million (RM246,088). MSM, which is incorporated in Indonesia, has obtained the 'Kadestral map' (ie boundary approval) for about 16,867 hectares of land in Central Kalimantan which is proposed to be developed into an oil palm plantation.
- (e) 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 still in progress.
- (f) Narwa Sdn Bhd, a 66.6% indirect subsidiary of the Company, was placed under Members' Voluntary Winding-up on 17 December 2003. The liquidation has been completed.
- (g) Jasa Karya Sdn Bhd ("JKSB"), a wholly-owned dormant subsidiary company PPBOP, has been placed under Members' Voluntary Winding-up on 3 November 2004. The liquidation is still in progress.

(h) Film Allied Services Sdn Bhd, an indirect wholly-owned subsidiary company, has been placed under Members' Voluntary Winding-up on 11 October 2004. The liquidation is still in progress.

(i) Leisure Bowl Centres Sdn Bhd, an indirect wholly-owned subsidiary company, has been placed under Members' Voluntary Winding-up on 22 September 2004. The liquidation is still in progress.

**A12. Changes in contingent liabilities or contingent assets**

The were no changes in guarantees issued by the Group in respect of credit facilities granted by financial institutions to associated companies as at 31 March 2005.

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**

The Group achieved a revenue of RM2.584 billion, maintaining its performance at a similar level as that of the first quarter of 2004. The higher FFB production and sales volume of edible oils have off-set the effect of lower palm product prices in the first quarter of this year.

Group profit before tax of RM155 million was 16% lower compared to RM185 million in the same quarter last year. The sugar refining, grains trading, flour and feed milling divisions recorded lower profits due to higher raw material prices and ocean freight rates. The oil palm plantations division maintained its profits with higher FFB production whilst the edible oil refining, livestock farming, packaging and film exhibition divisions achieved higher profits. The shipping and manufacturing divisions classified under other operations also recorded improvements in profits. The property investment and development divisions' profit was reduced accordingly as most of the completed residential units have been sold. The associated company engaged in commodity trading registered lower profits due to difficult trading conditions.

**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 RM155 million was 25% lower compared with RM207 million for the preceding quarter. Profits from the plantation operations were lower due to lower CPO prices and crop production in line with the natural cropping pattern.

In addition, there was a non-operating profit from the sale of other quoted investment in the previous quarter.

**B3. Prospects for current financial year**

Crop production for the year is expected to increase while CPO prices remain uncertain based on the current trend. Assuming prices stay at current levels, contributions from the oil palm plantation division may not match that of the previous year. The Group's other business operations are expected to perform as in the previous year. However, contributions from the associates are unpredictable due to volatile trading conditions. Overall, it is envisaged that the Group performance for the year will remain satisfactory.

**B4. Variance of actual profit from forecast profit**

Not applicable.



**B5. Taxation**

	Individual Quarter 3 months ended 31-Mar-2005 RM'000	Cumulative Quarter 3 months ended 31-Mar-2005 RM'000
Taxation comprises:-		
Malaysian taxation based on profit for the period:-		
Current	33,498	33,498
Deferred	4,766	4,766
Share of taxation of associated companies	2,158	2,158
	40,422	40,422
Foreign taxation		
Current	1,129	1,129
Deferred	63	63
Share of taxation of associated companies	3,769	3,769
	45,383	45,383
(Over)/under provision		
Current	(182)	(182)
Deferred	768	768
	45,969	45,969

The effective tax rate is higher than the statutory rate mainly due to losses incurred by companies within the Group that were not able to offset against taxable profits in other companies and the non-deductibility of certain expenses for tax purpose.

**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 RM2.285 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 31-Mar-2005 RM'000	Cumulative Quarter 3 months ended 31-Mar-2005 RM'000
Total cost of purchases	6	6
Total proceeds from disposals	18	18
Profit on disposal	18	18

(b) Total investments in quoted securities as at 31 March 2005 are as follows:-

	RM'000
At cost	441,136
At book value	437,976
At market value	698,672

**B8. Status of corporate proposals**

On 13 October 2004 the Company entered into two separate conditional agreements for the disposals of its entire 12.15% equity interest in Gula Padang Terap Sdn Bhd comprising 13,000,000 ordinary shares of RM1.00 each and 12.15% equity interest in Gula Padang Terap Plantations Sdn Bhd comprising 121,500 ordinary shares of RM1.00 each. The disposals are pending the respective approvals of the purchasers' shareholders and other relevant authorities.

**B9. Group borrowings**

Total Group borrowings as at 31 March 2005 are as follows:-

	RM'000	RM'000	RM'000
	Total	Secured	Unsecured
Long term bank loans	14,250	-	14,250
Long term bank loans (USD)	117,261	-	117,261
Long term bank loans (SGD)	2,868	2,868	-
Long term bank loans (RMB)	22,440	-	22,440
Hire purchase liabilities	1,321	1,321	-
Repayments due within the next 12 months	(1,696)	(1,160)	(536)
	<u>156,444</u>	<u>3,029</u>	<u>153,415</u>
Short term bank borrowings			
Bills payable	173,695	-	173,695
Bills payable (SGD)	2,410	-	2,410
Short term loans	30,500	-	30,500
Short term loans (USD)	35,500	-	35,500
Short term loans (RMB)	2,290	-	2,290
Current portion of long term loans	910	374	536
Hire purchase liabilities	786	786	-
	<u>246,091</u>	<u>1,160</u>	<u>244,931</u>
Bank overdrafts	7,227	-	7,227
Bank overdrafts (SGD)	1,564	-	1,564
	<u>254,882</u>	<u>1,160</u>	<u>253,722</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 May 2005, the Group has hedged outstanding foreign currency contracts of USD131.028 million equivalent to RM497.455 million. These contracts are short term and majority are due to mature within the next two 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.

There is minimal credit risk because these contracts are entered into through the Bursa Malaysia Derivatives.

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

The Group does not have any outstanding CPO futures contract as at 20 May 2005.

**B11. Material litigation**

As previously reported, a 70% owned subsidiary Suburmas Plantations Sdn Bhd of PPB Oil Palms Berhad, had submitted a claim for RM77.3 million on about 2,176 hectares of land compulsorily acquired by the Sarawak State Government. The claim has been filed at the High Court, Bintulu. However, the date of hearing has not been fixed.

**B12. Dividend**

The Final Dividend for the financial year ended 31 December 2004 was approved by shareholders at the Company's 36th Annual General Meeting held on 12 May 2005 and will be paid on Monday, 30 May 2005.

The Directors do not recommend the payment of a dividend for the current financial period under review.

**Dividends Paid / Declared**

Dividends paid and declared for financial year 2004 and up to the date of this report are as follows :-

Financial Year	Type	Rate	Payment Date
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
2004	Final dividend	2.5 sen tax exempt & 7.5 sen less 28% income tax	30 May 2005

**B13. Earnings per Share**

The basic earnings per share has been calculated by dividing the Group's net profit for each period by 592,749,941 (2004: 490,623,124) ordinary shares in issue during the period.

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 May 2005**

*By Order of the Board*  
**Tan Teong Boon**  
*Company Secretary*