

PPB GROUP BERHAD (8167-W)
INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2005

(The figures have not been audited)

Condensed Consolidated Income Statements For The Period Ended 30 June 2005

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Revenue	2,732,364	2,818,492	5,316,786	5,396,528
Operating expenses	(2,630,775)	(2,690,528)	(5,082,126)	(5,136,608)
Other operating income	4,080	6,599	7,480	15,732
Profit from operations	105,669	134,563	242,140	275,652
Net profit from investing activities	47,332	13,086	54,191	20,237
Share of associated companies' profits less losses	11,400	4,736	26,703	44,713
Share of jointly controlled entities' profits less losses	(37)	-	(159)	-
Finance costs	(3,889)	(4,496)	(7,700)	(8,180)
Profit before taxation	160,475	147,889	315,175	332,422
Taxation	(43,558)	(42,585)	(89,527)	(85,964)
Profit after taxation	116,917	105,304	225,648	246,458
Minority interest	(15,277)	(32,033)	(37,027)	(75,282)
Net profit for the period	<u>101,640</u>	<u>73,271</u>	<u>188,621</u>	<u>171,176</u>
Earnings per share (sen) :-				
(a) Basic earnings per ordinary share	8.57	7.47	15.91	17.44
(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 30-Jun-05 RM'000 (Unaudited)	As at 31-Dec-04 RM'000 (Audited)
Property, plant and equipment	2,707,977	2,642,271
Land held for property development	433	12,691
Investment in associated companies	608,837	598,741
Investment in jointly controlled entities	38,736	38,867
Long term investments	416,066	452,320
Goodwill on consolidation	34,286	34,687
Deferred tax assets	9,439	7,254
Current Assets		
Inventories	801,319	950,604
Property development costs	38,947	18,719
Receivables	889,343	840,030
Cash, bank balances and deposits	652,092	537,728
	2,381,701	2,347,081
Current Liabilities		
Payables	517,771	541,682
Short term borrowings	306,502	358,232
Taxation	38,264	32,688
	862,537	932,602
Net Current Assets	1,519,164	1,414,479
	5,334,938	5,201,310
Financed by :		
Share Capital	1,185,500	592,750
Reserves	2,872,369	3,367,338
Shareholders' equity	4,057,869	3,960,088
Minority interest	789,614	779,395
Long term borrowings	165,322	149,751
Reserve on consolidation	24,832	25,409
Deferred tax liabilities	297,301	286,667
	5,334,938	5,201,310
Net tangible assets per share (sen)	339	331 *

* The comparative net tangible assets per share has been adjusted for the effect of the 1 for 1 Bonus Issue

(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.)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statement Of Changes In Equity
For The Period Ended 30 June 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
<u>6 months ended 30 June 2005</u>									
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	-	-	-	(7,134)	6,528	(606)	(617)	-	(1,223)
Net profit for the period	-	-	-	-	-	-	188,621	-	188,621
Transfer of reserves	-	-	(1,072)	(30,373)	581	(30,864)	30,864	-	-
Bonus issue	592,750	(520,000)	-	-	-	-	(72,750)	-	-
Bonus issue expenses	-	(112)	-	-	-	-	-	-	(112)
Dividends	-	-	-	-	-	-	(46,827)	(42,678)	(89,505)
At 30 June 2005	<u>1,185,500</u>	<u>6,762</u>	<u>163,602</u>	<u>(6,483)</u>	<u>159,391</u>	<u>316,510</u>	<u>2,549,097</u>	<u>-</u>	<u>4,057,869</u>
<u>6 months ended 30 June 2004</u>									
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	-	-	-	(9,975)	(5,260)	(15,235)	-	-	(15,235)
Net profit for the period	-	-	-	-	-	-	171,176	-	171,176
Transfer of reserves	-	-	(740)	-	5	(735)	735	-	-
Dividends	-	-	-	-	-	-	(63,389)	-	(63,389)
At 30 June 2004	<u>490,623</u>	<u>21,128</u>	<u>87,614</u>	<u>26,783</u>	<u>138,775</u>	<u>253,172</u>	<u>2,315,656</u>	<u>-</u>	<u>3,080,579</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 30 June 2005

	6 months ended 30 June	
	2005	2004
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	315,175	332,422
Adjustments :-		
Non-cash items	35,058	36,575
Non-operating items	(20,418)	(10,072)
Operating profit before working capital changes	329,815	358,925
Working capital changes		
Net change in current assets	101,170	(263,734)
Net change in current liabilities	(29,463)	21,693
Cash generated from operations	401,522	116,884
Tax paid	(63,007)	(65,953)
Net cash generated from operating activities	338,515	50,931
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(152,932)	(107,209)
Proceeds from disposal of property, plant and equipment	3,392	7,330
Investment in subsidiary companies	(5,569)	(3,416)
Investment in associated companies	-	(9,327)
Investment in jointly controlled entities	-	(11,262)
Proceeds from disposal of investments	57,372	7,682
Advances to associated companies	(7,717)	(67,912)
Dividend received from investments	28,382	23,609
Interest received	7,342	7,628
Other investing activities	1,274	377
Net cash used in investing activities	(68,456)	(152,500)
CASH FLOW FROM FINANCING ACTIVITIES		
Shares issued to minority shareholders of subsidiary companies	1,069	3,874
Bank borrowings	(29,970)	189,577
Interest paid	(7,508)	(8,038)
Dividends paid	(109,413)	(104,711)
Other financing activities	(5,570)	(363)
Net cash (used in)/generated from financing activities	(151,392)	80,339
Net increase/(decrease) in cash and cash equivalents	118,667	(21,230)
Cash and cash equivalents at 1 January	528,892	715,636
Effect of exchange rate changes	(941)	3,106
Cash and cash equivalents at 30 June	646,618	697,512

(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 annual financial statements.

A3. Seasonal or Cyclical 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 except for the 1 for 1 Bonus Issue of 592,749,941 new ordinary shares of RM1.00 each in the Company which was completed on 22 June 2005.

A7. Dividends paid

	Individual Quarter 3 months ended 30-Jun-2005 RM'000	Cumulative Quarter 6 months ended 30-Jun-2005 RM'000
<u>Dividends paid on ordinary shares</u>		
2004 : 2nd interim dividend - 10 sen less 28% income tax	-	42,678
2004 : Final dividend - 2.5 sen tax exempt & 7.5 sen less 28% income tax	46,827	46,827
	46,827	89,505

A8. Segmental reporting

Segmental information in respect of the Group's business segments for the financial period ended 30 June 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
Information About Business Segments:												
REVENUE												
External sales	399,238	401,826	3,997,031	57,217	36,226	56,812	34,937	54,746	24,157	254,596	-	5,316,786
Inter-segment sales	-	27,417	53,305	211,619	4,802	9,266	-	-	647	18,205	(325,261)	-
Total revenue	<u>399,238</u>	<u>429,243</u>	<u>4,050,336</u>	<u>268,836</u>	<u>41,028</u>	<u>66,078</u>	<u>34,937</u>	<u>54,746</u>	<u>24,804</u>	<u>272,801</u>	<u>(325,261)</u>	<u>5,316,786</u>
RESULT												
Segment operating results	52,594	17,905	59,793	67,879	10,460	4,434	(1,711)	7,894	6,609	24,963	(102)	250,718
Unallocated corporate expense												(8,578)
Profit from operations												242,140
Investing activities												54,191
Finance costs												(7,700)
Share of associated companies' profits less losses	430	4,775	8,754	775	-	-	8,662	(49)	2,083	1,273	-	26,703
Share of jointly controlled entities' profits less losses	-	-	-	-	-	-	(159)	-	-	-	-	(159)
Profit before taxation												<u>315,175</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) On 18 May 2005, PPB Oil Palms Berhad ("PPBOP"), a 55.6% subsidiary company of PPB acquired a 100% equity interest in Frissor Limited ("Friszor"), 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) 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.
- (c) Jasa Karya Sdn Bhd ("JKSB"), a wholly-owned dormant subsidiary company of PPBOP, has been placed under Members' Voluntary Winding-up on 3 November 2004. The liquidation is still in progress.
- (d) 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.
- (e) 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 guarantees issued by the Group in respect of credit facilities granted by financial institutions to associated companies as at 30 June 2005 were reduced from RM17.80 million to RM12.80 million.

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 revenue of RM5.317 billion for the six months ended 30 June 2005 is marginally lower when compared with RM5.397 billion for the same period last year due mainly to lower CPO and refined palm product prices realised.

Group profit before tax of RM315 million was 5% lower compared to RM332 million in the same period last year. The sugar refining, grains trading, flour and feed milling divisions recorded lower profits due to higher raw material prices whilst the oil palm plantation division profits were also lower due to lower CPO prices. The edible oil refining, livestock farming 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' profits were 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 RM160 million was 3% higher compared with RM155 million for the preceding quarter mainly due to higher net profits from investment activities. Profits from the plantation operations were lower mainly due to increase in operating expenditure. The sugar refining and edible oil refining divisions also recorded lower profits as a result of lower profit margins.

B3. Prospects for current financial year

At current CPO prices, contributions to Group profits by the oil palm plantation division may not match that of the previous year despite higher crop production. The Group's other business operations are expected to perform at the same level as in the previous year. However, contributions from associated companies are unpredictable due to volatile trading conditions. Overall, it is envisaged that 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 30-Jun-2005 RM'000	Cumulative Quarter 6 months ended 30-Jun-2005 RM'000
Taxation comprises:-		
Malaysian taxation based on profit for the period:-		
Current	36,732	70,230
Deferred	4,201	8,967
Share of taxation of associated companies	2,723	4,881
	43,656	84,078
Foreign taxation		
Current	(403)	726
Deferred	(1,456)	(1,393)
Share of taxation of associated companies	1,853	5,622
	43,650	89,033
(Over)/under provision		
Current	(105)	(287)
Deferred	13	781
	43,558	89,527

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 RM4.891 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-Jun-2005 RM'000	Cumulative Quarter 6 months ended 30-Jun-2005 RM'000
Total cost of purchases	-	6
Total proceeds from disposals	57,354	57,372
Profit on disposal	21,679	21,697

(b) Total investments in quoted securities as at 30 June 2005 are as follows:-

	RM'000
At cost	405,558
At book value	401,795
At market value	655,348

B8. Status of corporate proposals

On 13 October 2004, the Company entered into two separate conditional agreements for the disposal 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 30 June 2005 are as follows:-

	RM'000 Total	RM'000 Secured	RM'000 Unsecured
Long term bank loans	14,317	-	14,317
Long term bank loans (USD)	135,483	-	135,483
Long term bank loans (SGD)	2,744	2,744	-
Long term bank loans (RMB)	22,518	-	22,518
Hire purchase liabilities	1,086	1,086	-
Repayments due within the next 12 months	(10,826)	(980)	(9,846)
	<u>165,322</u>	<u>2,850</u>	<u>162,472</u>
Short term bank borrowings			
Bills payable	226,441	-	226,441
Bills payable (SGD)	482	-	482
Short term loans	30,700	-	30,700
Short term loans (USD)	30,281	-	30,281
Short term loans (RMB)	2,298	-	2,298
Current portion of long term loans	10,174	328	9,846
Hire purchase liabilities	652	652	-
	<u>301,028</u>	<u>980</u>	<u>300,048</u>
Bank overdrafts	3,766	-	3,766
Bank overdrafts (SGD)	1,708	-	1,708
	<u>306,502</u>	<u>980</u>	<u>305,522</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 19 August 2005, the Group has hedged outstanding foreign currency contracts of USD86.846 million equivalent to RM326.904 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 19 August 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 Board of Directors is pleased to declare an interim dividend for the financial year ending 31 December 2005 of 5 sen per share less 28% income tax (2004 : 10 sen per share comprising 5 sen tax exempt and 5 sen less 28% income tax) on the enlarged capital base of RM1,185,499,882 following the 1 for 1 Bonus Issue.

Dividend payment/entitlement date

Notice is hereby given that the interim dividend will be payable on Wednesday, 28 September 2005 to shareholders whose names appear in the Record of Depositors at the close of business on Wednesday, 14 September 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 Wednesday, 14 September 2005 in respect of ordinary transfers, and
- (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 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
2005	Interim dividend	5 sen less 28% income tax	28 September 2005

B13. Earnings per Share

The basic earnings per share has been calculated by dividing the Group's net profit for current period by 1,185,499,882 ordinary shares in issue during the period. The comparative earnings per share in 2004 has been adjusted for the effect of the 1 for 1 Bonus Issue.

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
25 August 2005

By Order of the Board
Tan Teong Boon
Company Secretary