

**PPB GROUP BERHAD (8167-W)**  
**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER**  
**ENDED 30 SEPTEMBER 2005**

*(The figures have not been audited)*

**Condensed Consolidated Income Statements For The Period Ended 30 September 2005**

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Revenue	2,503,876	2,901,658	7,820,662	8,298,186
Operating expenses	(2,385,242)	(2,732,047)	(7,467,368)	(7,868,655)
Other operating income	5,875	2,154	13,355	17,886
Profit from operations	124,509	171,765	366,649	447,417
Net profit from investing activities	11,140	14,783	65,331	35,020
Share of associated companies' profits less losses	18,286	11,445	44,989	56,158
Share of jointly controlled entities' profits less losses	(115)	-	(274)	-
Finance costs	(3,302)	(3,919)	(11,002)	(12,099)
Profit before taxation	150,518	194,074	465,693	526,496
Taxation	(32,631)	(54,240)	(122,158)	(140,204)
Profit after taxation	117,887	139,834	343,535	386,292
Minority interest	(20,004)	(42,913)	(57,031)	(118,195)
Net profit for the period	<u>97,883</u>	<u>96,921</u>	<u>286,504</u>	<u>268,097</u>
Earnings per share (sen) :-				
(a) Basic earnings per ordinary share	8.26	8.98	24.17	26.44
(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-Sep-05 RM'000 (Unaudited)	As at 31-Dec-04 RM'000 (Audited)
Property, plant and equipment	2,709,262	2,642,271
Land held for property development	435	12,691
Investment in associated companies	619,109	598,741
Investment in jointly controlled entities	39,153	38,867
Long term investments	414,290	452,320
Goodwill on consolidation	33,105	34,687
Deferred tax assets	10,483	7,254
<b>Current Assets</b>		
Inventories	936,454	950,604
Property development costs	40,666	18,719
Receivables	821,801	840,030
Cash, bank balances and deposits	652,685	537,728
	<u>2,451,606</u>	<u>2,347,081</u>
<b>Current Liabilities</b>		
Payables	484,767	541,682
Short term borrowings	384,679	358,232
Taxation	20,072	32,688
	<u>889,518</u>	<u>932,602</u>
<b>Net Current Assets</b>	<u>1,562,088</u>	<u>1,414,479</u>
	<u>5,387,925</u>	<u>5,201,310</u>
<b>Financed by :</b>		
Share Capital	1,185,500	592,750
Reserves	2,924,199	3,367,338
Shareholders' equity	4,109,699	3,960,088
Minority interest	792,450	779,395
Long term borrowings	158,939	149,751
Reserve on consolidation	24,543	25,409
Deferred tax liabilities	302,294	286,667
	<u>5,387,925</u>	<u>5,201,310</u>
<b>Net tangible assets per share (sen)</b>	344	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 September 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>9 months ended 30 September 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	-	-	-	(10,847)	6,975	(3,872)	(679)	-	(4,551)
Net profit for the period	-	-	-	-	-	-	286,504	-	286,504
Transfer of reserves	-	-	(1,608)	(30,581)	583	(31,606)	31,606	-	-
Bonus issue	592,750	(520,000)	-	-	-	-	(72,750)	-	-
Bonus issue expenses	-	(159)	-	-	-	-	-	-	(159)
Dividends	-	-	-	-	-	-	(89,505)	(42,678)	(132,183)
At 30 September 2005	<u>1,185,500</u>	<u>6,715</u>	<u>163,066</u>	<u>(10,404)</u>	<u>159,840</u>	<u>312,502</u>	<u>2,604,982</u>	<u>-</u>	<u>4,109,699</u>
<b><u>9 months ended 30 September 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	-	-	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	-	-
Dividends	-	-	-	-	-	-	(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>-</u>	<u>3,783,228</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 September 2005**

	9 months ended 30 September	
	2005	2004
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	465,693	526,496
Adjustments :-		
Non-cash items	63,533	56,495
Non-operating items	(22,226)	(14,115)
Operating profit before working capital changes	507,000	568,876
Working capital changes		
Net change in current assets	19,936	(116,844)
Net change in current liabilities	(43,151)	58,650
Cash generated from operations	483,785	510,682
Tax paid	(109,322)	(105,440)
<b>Net cash generated from operating activities</b>	<b>374,463</b>	<b>405,242</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(224,937)	(164,988)
Proceeds from disposal of property, plant and equipment	13,885	8,903
Investment in subsidiary companies	(5,583)	(209,201)
Investment in associated companies	(1,379)	(47,561)
Investment in jointly controlled entities	-	(11,262)
Proceeds from disposal of investments	63,638	13,524
Advances to associated companies	(9,476)	(62,402)
Dividend received from investments	33,171	29,885
Interest received	11,348	11,604
Other investing activities	1,518	9,877
<b>Net cash used in investing activities</b>	<b>(117,815)</b>	<b>(421,621)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Shares issued to minority shareholders of subsidiary companies	1,069	5,109
Bank borrowings	47,542	133,238
Interest paid	(10,876)	(11,655)
Dividends paid	(165,611)	(170,692)
Other financing activities	(5,617)	(2,360)
<b>Net cash (used in)/generated from financing activities</b>	<b>(133,493)</b>	<b>(46,360)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>123,155</b>	<b>(62,739)</b>
Cash and cash equivalents at 1 January	528,892	715,636
Effect of exchange rate changes	(4,885)	(519)
<b>Cash and cash equivalents at 30 September</b>	<b>647,162</b>	<b>652,378</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 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 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-Sep-2005 RM'000	Cumulative Quarter 9 months ended 30-Sep-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
2005 : Interim dividend - 5 sen less 28% income tax	42,678	42,678
	<u>42,678</u>	<u>132,183</u>

**A8. Segmental reporting**

Segmental information in respect of the Group's business segments for the financial period ended 30 September 2005

<i>All figures in RM'000</i>	Sugar refining and cane plantation	Grains trading, flour and feed milling	Edible oils refining and 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>Information About Business Segments:</b>												
<b>REVENUE</b>												
External sales	598,516	619,714	5,830,326	86,638	54,938	83,671	50,713	82,094	39,787	374,265	-	7,820,662
Inter-segment sales	-	41,808	85,003	327,082	8,071	15,733	-	-	841	24,721	(503,259)	-
Total revenue	<u>598,516</u>	<u>661,522</u>	<u>5,915,329</u>	<u>413,720</u>	<u>63,009</u>	<u>99,404</u>	<u>50,713</u>	<u>82,094</u>	<u>40,628</u>	<u>398,986</u>	<u>(503,259)</u>	<u>7,820,662</u>
<b>RESULT</b>												
Segment operating results	85,782	35,003	84,258	100,835	16,981	5,588	(6,851)	10,616	13,408	33,176	(71)	378,725
Unallocated corporate expense												(12,076)
Profit from operations												366,649
Investing activities												65,331
Finance costs												(11,002)
Share of associated companies' profits less losses	3,869	6,953	15,732	1,397	-	-	9,871	39	4,151	2,977	-	44,989
Share of jointly controlled entities' profits less losses	-	-	-	-	-	-	(274)	-	-	-	-	(274)
Profit before taxation												<u>465,693</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) Trade Alpha Limited, a wholly-owned subsidiary of PPB Oil Palms Bhd ("PPBOP"), had on 15 July 2005 acquired the entire issued and paid-up share capital of Acemaxton Pte Ltd ("Acemaxton"), a limited company incorporated in Singapore, for a cash consideration of SGD900. On 23 September 2005, Acemaxton agreed to acquire 95% equity interest in PT Eka Kaharap Itah ("EKI"), comprising 2,375 shares of Rp100,000 each for cash at par, equivalent to Rp237.5 million (USD23,171). EKI, which is incorporated in Indonesia, proposes to develop up to 20,000 hectares of land in Central Kalimantan into an oil palm plantation.
- (b) PPBOP has acquired eight wholly-owned subsidiary companies incorporated in the British Virgin Islands ("BVICo"), for a total cash consideration of USD5,209. The respective BVICo each owns the entire issued and paid-up share capital of a subsidiary company incorporated in Singapore. The details of the acquisitions are as follows:-

	<u>Date of acquisition of BVICo</u>	<u>BVICo acquired</u>	<u>Wholly-owned subsidiary of BVICo incorporated in Singapore</u>
(i)	15 July 2005	Trilliton Holdings Limited	Maxillion Pte Ltd
(ii)	28 July 2005	Fullsight Holdings Limited	Stephigh Pte Ltd
(iii)	28 July 2005	Topassist Investments Limited	Maxceed Pte Ltd
(iv)	28 July 2005	Certainworld Limited	Quanta Pte Ltd
(v)	28 July 2005	Suremoment Limited	Rosevale Pte Ltd
(vi)	19 August 2005	Kornhill Assets Limited	Castlerise Pte Ltd
(vii)	16 September 2005	Firm Step Investments Limited	Ampleville Pte Ltd
(viii)	16 September 2005	Rise High Investments Limited	Gadsden Pte Ltd

All the above subsidiary companies acquired had not commenced business operations.

- (c) On 28 July 2005, CQ Technology Ltd, a wholly owned indirect subsidiary company, disposed of its entire 70% investment in Marathon Equipment Asia Pte Ltd comprising 1,102,500 ordinary shares of S\$1.00 each for a total cash consideration of S\$100 (RM226).
- (d) On 23 August 2005, PGEO Group Sdn Bhd, a wholly-owned indirect subsidiary, acquired the entire issued and paid-up share capital of PGEO Energy Sdn Bhd ("PGEO Energy") and SEO Energy Sdn Bhd ("SEO Energy") for a total cash consideration of RM2.00 each. PGEO and SEO Energy will operate the biomass-fired steam generator plants at Lumut and Sandakan respectively.
- (e) On 7 September 2005, PGEO Group Sdn Bhd, a wholly-owned indirect subsidiary, acquired the entire issued and paid-up share capital of Green Universal Sdn Bhd ("Green Universal") for a total cash consideration of RM2.00 each. Green Universal is presently dormant and will undertake the production of biodiesel using palm oil.
- (f) Chemquest Management Services Sdn Bhd, a wholly-owned indirect subsidiary has been placed under Member's Voluntary Winding-up on 16 September 2005. The liquidation is in progress.

- (g) Chemquest International Pte Ltd and Garbagemaster Pte Ltd, both indirect wholly-owned subsidiaries have been placed under Member's Voluntary Winding-up on 27 September 2005. The liquidation is in progress.
- (h) Stock and Trade Limited, a wholly-owned indirect subsidiary has been placed under Member's Voluntary Winding-up on 30 September 2005. The liquidation is in progress.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) 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 September 2005 were reduced from RM12.80 million to RM8.80 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 RM7.821 billion for the nine months ended 30 September 2005 is 6% lower when compared with RM8.298 billion for the same period last year mainly due to lower refined palm product prices realised. Despite lower CPO prices, revenue from the oil palm plantation division increased marginally for the period under review due to higher crop production.

Group profit before tax of RM466 million was 11% lower compared to RM526 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 higher operating expenditure resulting mainly from the higher volume of FFB processed and increase in fertiliser costs. The edible oils refining, livestock farming and manufacturing divisions recorded improvements in profits. Contributions from property development were lower as most of the completed residential units in Bukit Segar, Cheras have been sold. The waste management and utilities division incurred a loss mainly due to losses from a Singapore subsidiary which was subsequently disposed during the quarter. The associated company engaged in commodity trading also 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 RM151 million was 6% lower compared with RM160 million for the preceding quarter mainly due to lower profits from investment activities. Profits from the plantation operations were marginally higher mainly due to higher crop production in this quarter.

**B3. Prospects for current financial year**

Contributions to Group profits by the oil palm plantation division will be lower than that of the previous year based on the current CPO prices and higher operating expenditure. For the last quarter of 2005, the sugar refining division will continue to be affected by the higher raw material prices whilst the Group's other business operations are expected to perform satisfactorily.

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

Not applicable.

**B5. Taxation**

	Individual Quarter 3 months ended 30-Sep-2005 RM'000	Cumulative Quarter 9 months ended 30-Sep-2005 RM'000
Taxation comprises:-		
Malaysian taxation based on profit for the period:-		
Current	24,537	94,767
Deferred	5,711	14,678
Share of taxation of associated companies	3,142	8,023
	33,390	117,468
Foreign taxation		
Current	(386)	340
Deferred	(1,844)	(3,237)
Share of taxation of associated companies	1,972	7,594
	33,132	122,165
(Over)/under provision		
Current	(480)	(767)
Deferred	(21)	760
	32,631	122,158

The effective tax rate is lower than the statutory rate mainly due to non-taxable income.

**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 RM6.733 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-2005 RM'000	Cumulative Quarter 9 months ended 30-Sep-2005 RM'000
Total cost of purchases	23	29
Total proceeds from disposals	6,266	63,638
Profit on disposal	5,116	26,813

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

	RM'000
At cost	404,274
At book value	400,017
At market value	658,777

**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 approval from the relevant authorities.

**B9. Group borrowings**

Total Group borrowings as at 30 September 2005 are as follows:-

	RM'000 Total	RM'000 Secured	RM'000 Unsecured
Long term bank loans	12,347	-	12,347
Long term bank loans (USD)	137,329	-	137,329
Long term bank loans (RMB)	22,828	-	22,828
Hire purchase liabilities	874	874	-
Repayments due within the next 12 months	(14,439)	(712)	(13,727)
	<u>158,939</u>	<u>162</u>	<u>158,777</u>
Short term bank borrowings			
Bills payable	253,185	-	253,185
Short term loans	81,850	-	81,850
Short term loans (USD)	27,353	-	27,353
Short term loans (RMB)	2,329	-	2,329
Current portion of long term loans	13,727	-	13,727
Hire purchase liabilities	712	712	-
	<u>379,156</u>	<u>712</u>	<u>378,444</u>
Bank overdrafts	5,523	-	5,523
	<u>384,679</u>	<u>712</u>	<u>383,967</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 18 November 2005, the Group has hedged outstanding foreign currency contracts of USD112.127 million equivalent to RM422.247 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 18 November 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 Directors do not recommend the payment of any interim 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
2005	Interim dividend	5 sen less 28% income tax *	28 September 2005

\* Based on the enlarged share capital after the 1 for 1 Bonus Issue.

**B13. Earnings per Share**

The basic earnings per share has been calculated by dividing the Group's net profit for the 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**  
**24 November 2005**

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