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PPB GROUP BERHAD INVESTOR UPDATE

4th QUARTER REPORT 31 DECEMBER 2005



FEATURE article

PGEO ENERGY SDN BHD AND SEO ENERGY SDN BHD RENEWABLE ENERGY PRODUCTION



Biomass Walking Floor-Conveying of biomass to boiler

For many years, mineral fuel oil has been the first choice of energy source in most industries. However, with increasing pressure to reduce production cost in order to compete in this intensely competitive global market coupled with increasing mineral fuel oil price and environmental quality issues, renewable energy such as hydro energy, solar energy, wind energy as well as biomass energy are gaining recognition and popularity due to their cost savings and environmental friendly attributes.

Biomass renewable energy involves the generation of energy from burning of wood, garbage and agricultural waste. With advancement in technology, biomass can be efficiently burnt to generate energy, substituting the role of mineral fuel oil. Biomass generated energy is clean and does not pose any significant environmental impact. This explains its strong support from the Malaysian government as well as from international environmental related bodies. In Malaysia, tax incentive is granted to support the development of renewable energy projects in the nation.

Foreseeing the potential of biomass renewable energy in curbing energy cost fluctuation, PGEO Group established a 30 ton/hr biomass steam generating plant adjacent to its palm oil processing plant in Lumut, Perak. This biomass plant which was initially managed and operated by Enco Energy Sdn Bhd commenced operations on 1st February 2005. It operates mainly on agriculture waste and supplies ample amount of steam to PGEO's plant in Lumut for processing purposes which is much cheaper than oil-fired generated steam. To further capitalize on the cost savings, PGEO Group formed a new company, PGEO Energy Sdn Bhd in June 2005 to acquire the biomass plant in Lumut from Enco Energy on 1st January 2006.

PGEO ENERGY SDN BHD AND SEO ENERGY SDN BHD RENEWABLE ENERGY PRODUCTION (CONT'D)

nut,

Following the success of the biomass plant operation in Lumut, PGEO Group is currently in the midst of setting up a 35 ton/hr biomass plant in Sandakan, Sabah adjacent to Sandakan Edible Oils Sdn Bhd (SEO), PGEO Group's wholly-owned subsidiary in Sabah. This biomass plant will be managed by another newly formed company, SEO Energy Sdn Bhd which will supply steam to SEO on a regular basis once it starts operations in mid-2006.

The above projects will contribute to the use of sustainable renewable energy source in a highly efficient manner which is in line with Malaysia's development policy of using renewable energy as the fifth fuel. This will lead to greater self-sufficiency of fuel for the energy sector. Currently, fuel oil is subsidized and these projects will directly lead to a reduction of subsidized fuel oil for the refineries and ultimately in the Malaysian power sector.

These projects will also promote economic sustainability, as the fuel source is a sustainable, indigenous resource, which reduces fuel imports and negative impacts on the foreign exchange. The projects will also have a positive impact on the economic performance of the palm oil refinery as their energy production will become more reliable and efficient.

In addition to the above advantages, the operation of biomass plants is also entitled to additional revenue from the trading of Certified Emission Reductions (CER) to developed countries under the Clean Development Mechanism (CDM) of the Kyoto Protocol 1997 which aims to reduce carbon emission in developed countries to at least 5% below 1990 level for the first crediting period of years 2008 to 2012. Although Malaysia is not categorized as a developed country and has no obligations to reduce its carbon emission under the protocol, its keen interest in preserving the environment has driven Malaysia to encourage the establishment of renewable energy projects in Malaysia.

FEATURE article



Biomass Boiler House and Warehouse in Lumut

FEATURE article

PGEO ENERGY SDN BHD AND SEO ENERGY SDN BHD RENEWABLE ENERGY PRODUCTION (CONT'D)



Tractor Unloading
Biomass

On 24th February 2006, the biomass plant in Lumut has been successfully registered as a CDM project under Malaysia's Ministry of Natural Resource and Environment (NRE), the designated national CDM authority (DNA) in Malaysia and the Executive Board in United Nations Framework Convention on Climate Change (UNFCC).

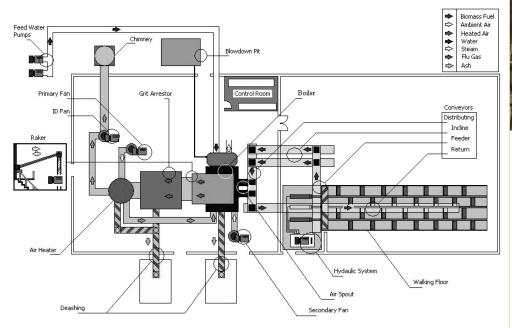
Meanwhile, the process of getting Sandakan's biomass plant registered with NRE and UNFCC is in progress. As a certified CDM project, the CERs generated can be used by developed countries to help meet their emissions targets under the Kyoto Protocol Article 12 and to gain economic, developmental and environmental benefits for developing countries.

In summary, the set up of biomass plants is a win-win situation for all parties involved. It brings about significant reduction in cost giving one greater bargaining power in the business world while preserving the environment and controlling the green house effect.

PGEO ENERGY SDN BHD AND SEO ENERGY SDN BHD RENEWABLE ENERGY PRODUCTION (CONT'D)

FEATURE article

BIOMASS BOILER PROCESS FLOW EXPLANATION





Biomass Boiler

HAPPENINGS

PPB SHARES THE JOY OF GIVING

Ms Koh Mei Lee, Senior Manager (Corporate Affairs) of PPB Group Berhad, giving away Christmas gifts to the children.



A group photo of PPB staff and children of Stepping Stones Home



A group photo of the final team

"LET'S SPREAD THE JOY OF GIVING" was the theme for PPB Group Berhad's (PPB) community relations project for 2005.

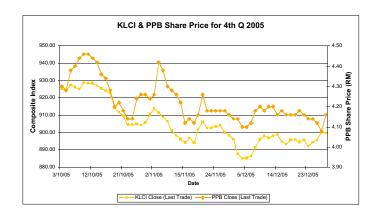
On 10 December 2005, PPB Group Berhad (PPB) organized a futsal tournament and fun fair for the children of Stepping Stones Home. The fun-filled event was held at Score Arena, Jalan Kuchai Lama, Kuala Lumpur where the children had a great time playing fifteen (15) enjoyable fun fair games prepared and manned by PPB staff and their children. Other activities included party games and the appearance by the A&W big bear mascot which kept the children entertained. The highlight of the day was the futsal tournament comprising 6 mixed teams with names of their favourite English premier league teams. Although many of the enthusiastic football fans left with sore throats cheering on their respective favourite teams, all were sportingly overjoyed when "Manchester United" won the top spot. Many of the PPB staff found themselves reminiscing their childhood days and together with the children, had a wonderful time at the fun fair.

PPB gave away school shoes, socks, bags, toiletries, dried foodstuff and a mini hi-fi to the Home. In celebration of the Christmas season, each child was also given a Christmas gift at the end of the party.

The KLCI closed 27.75 points lower at 899.79 points on 30 December 2005 compared with 927.54 points on 29 September 2005. Market fell in October following a sell-down in regional markets. After a brief rebound, the KLCI retreated to a 5-month low of 885.14 points in early December with the release of lackluster corporate results for the 3rd Quarter and concerns over possible hikes in local interest rates.

Trading in line with the KLCI's index, PPB shares closed 8 sen lower at RM4.16 on the last trading day of the quarter compared with RM4.24 in the preceding quarter. As at 30 December 2005, the market capitalization of PPB shares stood at RM4.931 billion whilst PPB's daily average volume decreased by 35.49% to 447,200 shares.

| | 4th Q 2005 | 3rd Q 2005 | % change |
|-------------------------------------|---------------|-------------|----------|
| PPB share price | | | |
| Closing price (high) | 4.46 | 4.42 | 0.90% |
| Closing price (low) | 4.08 | 3.72 | 9.68% |
| Month end closing price | 4.16 | 4.24 | -1.89% |
| Weighted share price | 4.24 | 4.04 | 4.95% |
| Market capitalization (RM' million) | 4,931.68 | 5,026.52 | -1.89% |
| PPB share volume | | | |
| Daily volume (high) | 2,472,000 | 1,950,700 | 26.72% |
| Daily volume (low) | 30,800 | 46,500 | -33.76% |
| Average daily volume | 447,200 | 693,268 | -35.49% |
| Kuala Lumpur Composite Index | (KLCI) | | |
| KLCI closing (high) | 928.88 | 952.59 | -2.49% |
| KLCI closing (low) | 885.14 | 894.02 | -0.99% |
| KLCI month end closing | 899.79 | 927.54 | -2.99% |
| Kuala Lumpur Composite Index | (KLCI) volume | | |
| Daily Volume (high) | `124,600,800 | 259,228,192 | -51.93% |
| Daily Volume (low) | 28,286,400 | 46,883,100 | -39.67% |
| Average Daily Volume | 69,360,317 | 77,635,233 | -10.66% |



FINANCIAL statistics

GROUP FINANCIAL HIGHLIGHTS

| Financial period ended (All figures in RM million) NCOME STATEMENT Revenue 10,687.950 10,999.682 2.83% Profit from operations 516.778 601.970 14.15% Profit from operations 516.778 601.970 14.15% Profit perior taxation 468.235 549.716 14.82% Profit perior taxation 468.235 549.716 14.82% Net profit after taxation 468.235 549.716 14.82% Net profit assets 5176.157 412.929 9.15% Cash, bank balances and deposits 752.839 537.728 40.00% Current liabilities 323.088 445.520 14.08% Total current assets 2,458.950 2,347.081 4.77% Current liabilities 233.088 247.927 13.91% Short term bank borrowings 367.081 358.232 2.47% Clthers 262.625 296.43 11.41% Total current liabilities 868.964 932.602 6.82% Non-current assets 633.826 598.741 5.86% Associates 40.151 38.867 3.30% Other investments 413.442 452.320 6.82% Non-current and deferred liabilities 40.151 38.867 3.30% Others 10.264 19.945 48.54% Others 10.264 19.945 48.54% Others 10.264 19.945 48.54% Others 310.264 19.945 48.54% Others 310.264 19.945 48.54% Others 310.264 19.945 48.54% Others 310.264 19.945 48.54% Non-current and deferred liabilities 481.540 461.827 4.27% Minority interest 80.3656 779.395 3.11% Return on net assets after taxation (%) 13.28 3.26 3.960.088 6.44% RATIOS Return on net assets after taxation (%) 13.38 3.26 3.960.088 6.44% RATIOS Return on net assets before taxation (%) 1.85 3.28 3.960.088 6.44% RATIOS Return on net assets after taxation (%) 1.85 3.26 3.99.99 12.19% Profits before tax over revenue (%) 5.88 6.67 Interest coverage (times) 4.932 4.033 22.35% Net assets per share (RM) 4.23 4.00 5.75% Net dividend per share (RM) 4.932 4.031 22. | | | 12 months | |
|--|---|--|---|---|
| Revenue | | 31.12.05 | | |
| Current assets 947.886 950.604 -0.29% | Revenue Profit from operations Profit before taxation Profit after taxation | 516.778 628.642 468.235 | 601.970 733.508 549.716 | -14.15% -14.30% -14.82% |
| Trade payables | Current assets Inventories Trade receivables Cash, bank balances and deposits Others | 375.157 752.839 383.068 | 412.929 537.728 445.820 | -9.15% 40.00% -14.08% |
| Property, plant and equipment | Trade payables Short term bank borrowings Others | 367.081 262.625 | 358.232 296.443 | 2.47% -11.41% |
| Long term bank borrowings | Property, plant and equipment Associates Jointly controlled entities Other investments Goodwill Others | 633.826 40.151 413.442 32.413 10.264 | 598.741 38.867 452.320 34.687 19.945 | 5.86% 3.30% -8.60% -6.56% -48.54% |
| Share capital 1,185.500 592.750 100.00% Reserves 3,029.653 3,367.338 -10.03% Shareholders' equity 4,215.153 3,960.088 6.44% RATIOS Return on net assets before taxation Return on net assets after taxation (%) 9.33 11.60 Return on equity (%) 9.36 10.12 Earnings per share * (sen) 33.28 37.90 -12.19% Profits before tax over revenue (%) 5.88 6.67 Interest coverage (times) 41.53 49.59 -16.25% Current ratio (times) 2.83 2.52 12.30% Long term debt/Equity (%) 3.55 3.78 Net assets per share * (sen) 14.40 11.85 21.52% Operating cashflow per share * (sen) 50.00 41.89 19.36% STOCK MARKET INFORMATION Share price * (RM) 4.16 3.40 22.35% Market capitalisation (RM million) 4,932 4,031 22.35% | Long term bank borrowings Others | 332.102 | 312.076 | 6.42% |
| Reserves 3,029.653 3,367.338 -10.03% Shareholders' equity 4,215.153 3,960.088 6.44% RATIOS Return on net assets before taxation Return on net assets after taxation (%) 9.33 15.48 16.00 15.48 15.48 16.00 | Minority interest | 803.656 | 779.395 | 3.11% |
| Return on net assets before taxation Return on net assets after taxation Return on equity (%) 9.33 11.60 Return on equity Earnings per share * (sen) 33.28 37.90 -12.19% Profits before tax over revenue Interest coverage (times) 41.53 49.59 -16.25% Current ratio (times) 2.83 2.52 12.30% Long term debt/Equity (%) 3.55 3.78 Net assets per share * (RM) 4.23 4.00 5.75% Net dividend per share * (sen) 14.40 11.85 21.52% Operating cashflow per share * (sen) 50.00 41.89 19.36% STOCK MARKET INFORMATION Share price * (RM) 4.16 3.40 22.35% Market capitalisation (RM million) 4,932 4,031 22.35% | Reserves | 3,029.653 | 3,367.338 | -10.03% |
| Share price * (RM) 4.16 3.40 22.35% Market capitalisation (RM million) 4,932 4,031 22.35% | Return on net assets before taxation Return on net assets after taxation Return on equity Earnings per share * Profits before tax over revenue Interest coverage Current ratio Long term debt/Equity Net assets per share * Net dividend per share * | (%) 9.33 (%) 9.36 (sen) 33.28 (%) 5.88 (times) 41.53 (times) 2.83 (%) 3.55 (RM) 4.23 (sen) 14.40 | 11.60 10.12 37.90 6.67 49.59 2.52 3.78 4.00 11.85 | -16.25% 12.30% 5.75% 21.52% |
| | Share price * Market capitalisation | (RM million) 4,932 | 4,031 | |

^{*} the following comparatives have been adjusted for the effect of 1 for 1 bonus issue on 22 June 2005.

ANNOUNCEMENTS

PPB Leisure Holdings Sdn Bhd ("PPBL"), a whollyowned subsidiary of PPB, entered into a joint-venture agreement with Dezwart Fleet Sdn Bhd ("DF") to acquire/subscribe for up to 60,000 ordinary shares of RM1.00 each for cash at par in EASI (M) Sdn Bhd (formerly known as EPT Consulting Sdn Bhd) ["EASI"].

EASI is the sole distributor of the Point-of-Sale software owned and developed by DF and the investment in EASI complements PPBL's current ticketing and reservation solutions.

Chemquest Waste Management Sdn Bhd ("CWM"), a 98.95% indirect subsidiary of PPB entered into a sale and purchase agreement for the disposal of its entire 25% equity interest in Konsortium Abass Sdn Bhd ("Abass") comprising 2.5 million ordinary shares of RM1.00 each and 21.875 million redeemable cumulative preference shares of RM0.01 each to Titisan Modal (M) Sdn Bhd for a total cash consideration of RM132 million.

Abass will cease to be an associate of PPB upon completion of the disposal.

24 NOV Release of 3rd Quarter Report for the period ended 30 September 2005.

30 NOV EASI (M) Sdn Bhd (formerly known as EPT Consulting Sdn Bhd) ["EASI"], a 60% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital consisting of 1 ordinary share of SGD1.00 in Enterprise Advanced System Intelligence Pte Ltd ("EASI (S)"), for cash at par.

EASI (S) will provide information technology services and distribution of Point-of-Sale software in Singapore.

15 DEC Leisure Bowl (JB) Sdn Bhd, a 60% indirect subsidiary of PPB, was placed under members' voluntary winding-up as it had ceased operations in November 2003. Its principal activity was the operation of bowling centres.

PRESS release

PPB GROUP BERHAD'S FINANCIAL RESULTS

for the year ended 31.12.2005

FINANCIAL HIGHLIGHTS

- The audited Group profit before tax reduced by 14% to RM628.6 million compared with RM733.5 million recorded in 2004 due to lower contributions from its core businesses in sugar refining and oil palm plantations.
- Group revenue decreased by 3% to RM10.688 billion compared with 2004 due to lower refined palm products and CPO prices realized.
- Although PBT declined by 14%, net profit reduced marginally by 1.5% to RM394.6 million from RM400.7 million due to lower minority interest resulting from the privatization of FFM Berhad in August 2004.
- Earnings per share over the enlarged share capital reduced to 33.28 sen compared with 37.90 sen for the previous year.
- Net assets per share rose by 5.8% from RM4.00 as at 31 December 2004 to RM4.23.
- Shareholders' funds further strengthen from RM3.960 billion as at 31 December 2004 to RM4.215 billion.
- Group's net cash position improved to RM236 million from RM30 million with a strong cashflow from its core operations.

DIVIDENDS

The Board of Directors has recommended for shareholders' approval a final dividend of 15 sen per share less tax payable on Wednesday, 7 June 2006. Together with the first interim dividend of 5 sen per share less tax, PPB's total dividend declared for the year ended 31 December 2005 would be 20 sen per share less tax.

REVIEW OF RESULTS

For 2005, contribution from the sugar refining and cane plantations reduced by 36.7% to register a profit of RM90.8 million due mainly to higher raw material prices. The grains trading, flour and feed milling divisions achieved higher sales in 2005 resulting in improved profits of RM57.4 million, up 34.4% from last year. Edible oils refining and trading division registered profits of RM126.2 million, an increase of 9.8% from 2004 due to higher sales volume and better refining margins. Profits from the oil palm plantation division dropped by 26.4% due to lower average CPO prices coupled with higher operating expenditure resulting from the higher volume of FFB processed and increase in fertilizer costs. FFB production increased by 14% to 1,442,000 mt compared with the previous year. Livestock farming registered a significant improvement in profits to RM18.9 million compared with a profit of RM2.6 million for 2004 due to better dayold-chicks and table egg prices. The waste management and utilities division incurred a loss mainly due to losses from its Singapore subsidiary which was subsequently divested in 2005. Contribution from film exhibition and distribution division rose by 51.4% to record a profit of RM18.0 million due to a stronger line up of commercial films and the opening of two new cineplexes at Berjaya Times Square and 1 Utama (New Wing). The property investment and development divisions' registered lower profits of RM18.8 million as most of the completed residential units in Bukit Segar, Cheras have been sold.

PROSPECTS FOR 2006

The Group expects contribution from the oil palm plantation division to be higher assuming CPO prices remain at current levels coupled with higher crop production. Sugar refining operations will continue to face high raw material prices whilst the Group's other business operations are expected to perform satisfactorily.

Overall, PPB Group envisage that 2006 will be a challenging year and has positioned itself well to meet these challenges.

QUARTERLY report

CONDENSED CONSOLIDATED INCOME STATEMENTS

for the year ended 31 December 2005

| | Individual Quarter 3 months ended 31 DECEMBER | | 12 m | ative Quarter onths ended DECEMBER |
|---|---|----------------|----------------|--|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Revenue | 2,867,288 | 2,683,516 | 10,687,950 | 10,999,682 |
| Operating expenses | (2,725,591) | (2,530,075) | (10,192,959) | (10,416,710) |
| Other operating income | 8,432 | 1,112 | 21,787 | 18,998 |
| Profit from operations | 150,129 | 154,553 | 516,778 | 601,970 |
| Net profit from investing activities | (5,650) | 46,099 | 59,681 | 81,119 |
| Share of associated companies' profits less losses | 21,993 | 9,388 | 66,982 | 65,546 |
| Share of jointly controlled entities' profits less losses | s 984 | (30) | 710 | (30) |
| Finance costs | (4,507) | (2,998) | (15,509) | (15,097) |
| Profit before taxation | 162,949 | 207,012 | 628,642 | 733,508 |
| Taxation | (38,249) | (43,588) | (160,407) | (183,792) |
| Profit after taxation | 124,700 | 163,424 | 468,235 | 549,716 |
| Minority interest | (16,625) | (30,857) | (73,656) | (149,052) |
| Net profit for the period | 108,075 | 132,567 | 394,579 | 400,664 |
| Earnings per share (sen) :- | | | | |
| (a) Basic earnings per ordinary share | 9.12 | 11.18 | 33.28 | 37.90 |

CONDENSED CONSOLIDATED BALANCE SHEETS

as at 31 December 2005



| | As at 31-Dec-05 RM'000 (Audited) | As at 31-Dec-04 RM'000 (Audited) |
|---|---|---|
| Property, plant and equipment Land held for property development Investment in associated companies Investment in jointly controlled entities Long term investments Goodwill on consolidation Deferred tax assets | 2,780,267 437 633,826 40,151 413,442 32,413 9,827 | 2,642,271 12,691 598,741 38,867 452,320 34,687 7,254 |
| Current Assets Inventories Property development costs Receivables Cash, bank balances and deposits Current Liabilities Payables Short term borrowings Taxation | 947,886 43,696 714,529 752,839 2,458,950 478,875 367,081 23,008 868,964 | 950,604 18,719 840,030 537,728 2,347,081 541,682 358,232 32,688 932,602 |
| Net Current Assets | 1,589,986 5,500,349 | 1,414,479 5,201,310 |
| Financed by: Share Capital Reserves Shareholders' equity Minority interest Long term borrowings Reserve on consolidation Deferred tax liabilities | 1,185,500 3,029,653 4,215,153 803,656 149,438 23,535 308,567 5,500,349 | 592,750 3,367,338 3,960,088 779,395 149,751 25,409 286,667 5,201,310 |
| Net assets per share (sen) | 423 | 400* |

^{*} The comparative net 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.)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2005

| | 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 |
|---|----------------------------|----------------------------|----------------------------------|--|------------------------------|-------------------------|-------------------------------|---------------------|-----------------|
| 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 | - | - | - | (6,225) | 10,033 | 3,808 | (1,010) | - | 2,798 |
| Realised upon liquidation of subsidiary companies Realised upon liquidation | - | - | - | (7,893) | - | (7,893) | - | - | (7,893) |
| of an associate | _ | - | - | (2,077) | _ | (2,077) | _ | - | (2,077) |
| Net profit for the period | - | - | - | - | - | - | 394,579 | - | 394,579 |
| Transfer of reserves | - | - | (2,494) | (30,419) | 595 | (32,318) | 32,318 | - | ´ - |
| Bonus issue | 592,750 | (520,000) | | - | - | - | (72,750) | - | - |
| Bonus issue expenses | ´ - | (159) | - | - | - | - | - | - | (159) |
| Dividends | - | ` - ´ | - | - | - | - | (89,505) | (42,678) | (132,183) |
| At 31 December 2005 | 1,185,500 | 6,715 | 162,180 | (15,590) | 162,910 | 309,500 | 2,713,438 | - | 4,215,153 |
| 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 | _ | _ | 79,362 | (11,829) | 12,399 | 79,932 | (1,912) | _ | 78,020 |
| Realised upon liquidation | | | 77,302 | (11,027) | 12,377 | 77,732 | (1,712) | | 70,020 |
| of a subsidiary company | - | - | - | (131) | - | (131) | - | - | (131) |
| Net profit for the period | - | - | - | - | - | - | 400,664 | - | 400,664 |
| Transfer of reserves | - | - | (3,042) | 6,226 | (4,147) | (963) | 963 | - | - |
| Dividends | - | - | - | - | - | - | (157,043) | 42,678 | (114,365) |
| Issue of shares | 102,127 | 507,570 | - | - | - | - | - | - | 609,697 |
| Shares issue expenses | - | (1,824) | | <u> </u> | - | - | - | - | (1,824) |
| At 31 December 2004 | 592,750 | 526,874 | 164,674 | 31,024 | 152,282 | 347,980 | 2,449,806 | 42,678 | 3,960,088 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

for the year ended 31 December 2005



| | 2005 RM'000 | 2004 RM'000 |
|--|--|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | NWOOO | KWOOO |
| Profit before taxation | 628,642 | 733,508 |
| Adjustments :- | 020,042 | 755,500 |
| Non-cash items | 87,987 | 62,385 |
| Non-operating items | (26,515) | (21,982) |
| Operating profit before working capital changes | 690,114 | 773,911 |
| Working capital changes | 070,114 | 773,711 |
| Net change in current assets | 134,261 | (184,764) |
| Net change in current liabilities | (94,397) | (16,078) |
| Cash generated from operations | 729,978 | 573,069 |
| Tax paid | (137,244) | (130,220) |
| Net cash generated from operating activities | (137,244) 592,734 | 442,849 |
| net cash generated from operating activities | J72,73 4 | 442,047 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (320,536) | (256,428) |
| Proceeds from disposal of property, plant and equipment | 16,533 | 17,236 |
| Investment in subsidiary companies | (13,477) | (211,279) |
| Investment in associated companies | (989) | (65,984) |
| Investment in jointly controlled entities | - (707) | (11,327) |
| Proceeds from disposal of investments | 63,929 | 44,904 |
| Advances to associated companies | (18,353) | (63,865) |
| Dividend received from investments | 43,499 | 42,361 |
| Interest received | 17,229 | 16,469 |
| Other investing activities | (1,191) | (857) |
| Net cash used in investing activities | (213,356) | (488,770) |
| The cash asea in investing activities | (213,330) | (100,770) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Shares issued to minority shareholders of subsidiary companies | 4,644 | 6,696 |
| Bank borrowings | 20,290 | 29,775 |
| Interest paid | (18,295) | (16,269) |
| Dividends paid | (167,677) | (172,802) |
| Other financing activities | 61 | 3,075 |
| Net cash (used in)/generated from financing activities | (160,977) | (149,525) |
| Net increase/(decrease) in cash and cash equivalents | 218,401 | (195,446) |
| Cash and cash equivalents at 1 January | 519,858 | 715,637 |
| Effect of exchange rate changes | (2,432) | (333) |
| Cash and cash equivalents at 31 December | 735,827 | 519,858 |

(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.)

QUARTERLY 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 Cyclicality 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.

A8. Segmental reporting

Profit before taxation

Segmental information in respect of the Group's business segments for the year ended 31 December 2005

| All figures in RM'000 Information About Business Segments: | Sugar refining and cane plantation | Grains trading, flour and feed milling | Edible oils refining and trading | Oil palm plantations |
|---|---|--|--|-------------------------|
| REVENUE | - | | | |
| External sales | 798,274 | 846,727 | 8,009,921 | 117,111 |
| Inter-segment sales | 21 | 57,087 | 116,114 | 468,034 |
| Total revenue | 798,295 | 903,814 | 8,126,035 | 585,145 |
| RESULT Segment operating results Unallocated corporate expense Profit from operations | 90,755 | 57,429 | 126,240 | 164,504 |
| Investing activities Financial costs Share of associated companies' profits less losses Share of jointly controlled entities' profits less losses | 4,959 | 10,410 | 20,875 | 1,873 |



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 | Cumulative Quarter |
|--|-----------------------|-----------------------|
| | 3 months ended | 12 months ended |
| | 31-Dec-2005 | 31-Dec-2005 |
| <u>Dividends paid on ordinary shares</u> | RM'000 | RM'000 |
| 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 |
| | 42,678 | 132,183 |

| | | Environmental engineering, waste | Film exhibition | Property investment | | | |
|----------------------|-----------------|--|---------------------|----------------------|----------------------|---------------|--|
| Livestock farming | Packaging | management and utilities | and distribution | and development | Other operations | Elimination | Consolidated |
| Tarring | rackaging | and deficies | distribution | development | орегасіонз | Etillillation | Consolidated |
| 72,566 | 116,240 | 70,897 | 120,281 | 48,630 | 487,303 | - | 10,687,950 |
| 11,385 | 18,916 | - | - | 1,153 | 36,894 | (709,604) | |
| 83,951 | 135,156 | 70,897 | 120,281 | 49,783 | 524,197 | (709,604) | 10,687,950 |
| 18,852 - - | 4,879 - - | (6,122) 14,087 710 | 17,956 481 - | 18,841 5,173 - | 40,865 9,124 - | 617 - - | 534,816 (18,038) 516,778 59,681 (15,509) 66,982 |
| | | | | | | | 628,642 |

QUARTERLY report

NOTES continued

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) PPBOP has completed the following acquisitions of the subsidiary companies:-
 - (1) the entire issued and paid-up capital of Fit Best Holdings Limited ("Fit Best"), a limited company incorporated in the British Virgin Islands, for a cash consideration of USD651 on 26 October 2005. Fit Best in turn owns the entire issued and paid-up share capital of Joy Victory Pte Ltd ("Joy Victory"), a limited company incorporated in Singapore. Both Fit Best and Joy Victory are presently dormant.
 - (2) the entire issued and paid-up share capital of Wealth Anchor Pte Ltd ("Wealth Anchor"), a limited company incorporated in Singapore, for a cash consideration of SGD1.00. Wealth Anchor had on 21 November 2005 acquired 96% equity interest in PT Guna Karya Lestari ("GKL"), comprising 24 shares of Rupiah1 million each for cash at par, equivalent to a total consideration of Rupiah24 million. On 9 December 2005, Wealth Anchor further acquired 98% equity interest in PT Guna Karya Mandirijaya ("GKM"), comprising 49 shares of Rupiah 500,000 each for cash at par, equivalent to a total consideration of about Rupiah25 million. Both GKL and GKM are limited companies incorporated in Indonesia.
 - (3) eight wholly-owned subsidiary companies incorporated in Indonesia via its wholly-owned subsidiary companies for the proposed development of oil palm plantations as follows:-

| Date of acquisition | Wholly-owned Subsidiary | Indonesia Subsidiary | Equity Interest | Purchase Consideration |
|---------------------|----------------------------|--------------------------------|--------------------|---------------------------|
| bate of acquisition | Substatut y | Substituti y | iiicei ese | (Rupiah Million) |
| (i) 07 Oct 2005 | Richdelta Ptd Ltd | PT Bulau Sawit Bajenta | 75.0% | 375 |
| (ii) 14 Oct 2005 | Maxillion Ptd Ltd | PT Pukun Mandiri Lestari | 95.0% | 950 |
| (iii) 14 Oct 2005 | Stephigh Pte Ltd | PT Alam Sawit Permai | 95.0% | 950 |
| (iv) 21 Oct 2005 | Maxceed Pte Ltd | PT Benua Alam Subur | 95.0% | 950 |
| (v) 21 Oct 2005 | Quanta Pte Ltd | PT Hamparan Sawit Eka Malan | 95.0% | 285 |
| (vi) 28 Oct 2005 | Rosevale Pte Ltd | PT Petak Malai Sawit Makmur | 94.3% | 283 |
| (vii) 28 Oct 2005 | Ampleville Pte Ltd | PT Bawak Sawit Tunas Belum | 95.0% | 285 |
| (viii) 06 Dec 2005 | Gadsden Pte Ltd | PT Malindo Lestari Plantations | 95.1% | 485 |

- (b) 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.
- (c) 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.
- (d) Stock and Trade Limited, a wholly-owned indirect subsidiary has been placed under Member's Voluntary Winding-up on 30 September 2005. The liquidation has been completed on 18 November 2005.
- (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) 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.
- (g) 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.
- (h) 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.
- (i) On 31 October 2005, PPB Leisure Holdings Sdn Bhd, a wholly-owned subsidiary of PPB, acquired/subscribed for up to 60,000 ordinary shares of RM1.00 each for cash at par in EASI (M) Sdn Bhd (formerly known as EPT Consulting Sdn Bhd) ["EASI"]. EASI is the sole distributor of the Point-of-Sale software.
- (j) On 31 October 2005, Chemquest Waste Management Sdn Bhd ("CWM"), a 98.95% indirect subsidiary of PPB disposed of its entire 25% equity interest in Konsortium Abass Sdn Bhd ("Abass") comprising 2.5 million ordinary shares of RM1.00 each and 21.875 million redeemable cumulative preference shares of RM0.01 each to Titisan Modal (M) Sdn Bhd for a total cash consideration of RM132 million. The disposal is pending the relevant approvals and Abass will cease to be an associate of PPB upon completion of the disposal.
- (k) On 30 November 2005, EASI (M) Sdn Bhd (formerly known as EPT Consulting Sdn Bhd) ["EASI"], a 60% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital consisting of 1 ordinary share of SGD1.00 in Enterprise Advanced System Intelligence Pte Ltd ("EASI (S)"), for cash at par. EASI (S) will provide information technology services and distribution of Point-of-Sale software in Singapore.
- (l) On 15 December 2005, Leisure Bowl (JB) Sdn Bhd, a 60% indirect subsidiary of PPB, was placed under members' voluntary winding-up as it had ceased operations in November 2003. 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 31 December 2005 were RM23.60 million (2004: RM17.80 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 RM10.688 billion for the year ended 31 December 2005 is 3% lower when compared with RM11.000 billion in the previous year mainly due to lower refined palm product and CPO prices realised.

Group profit before tax of RM629 million was 14% lower compared with RM734 million in the previous year. The sugar refining division recorded lower profits due to higher raw material prices whilst profits from the oil palm plantation division were also lower due to lower average CPO prices compounded by higher operating expenditure attributed to higher volume of FFB processed and increase in fertiliser costs. Improvements in profits were recorded in the edible oils refining, grains trading, flour and feed milling, livestock farming, film exhibition & distribution and manufacturing divisions. The waste management and utilities division incurred a loss mainly due to losses from a Singapore subsidiary which was subsequently divested during the year.

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 RM163 million was 8% higher compared with RM151 million for the preceding quarter mainly due to higher profits from the oil palm plantation and edible oils refining divisions. Profits from the plantation operations were higher due to better CPO prices, higher crop production and translation gain of USD loans recorded by the Indonesian subsidiaries in this quarter.

B5.

NOTES continued

B3. Prospects for current financial year

Contributions to Group profits by the oil palm plantation division will be higher assuming that CPO prices stay at current levels together with projected higher crop production. 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. Overall, it is envisaged that 2006 will be a challenging year. However the Group is well positioned to meet these challenges.

B4. Variance of actual profit from forecast profit Not applicable.

| | Quarter 3 months ended | Quarter |
|---|---------------------------|-----------------|
| | 3 months ended | |
| Taxation comprises:- | 5 mondis chaca | 12 months ended |
| | 31-Dec-2005 | 31-Dec-2005 |
| | RM'000 | RM'000 |
| Malaysian taxation based on profit for the period:- | | |
| Current | 25,174 | 119,941 |
| Deferred | 4,899 | 19,577 |
| Share of taxation of associated companies | 2,046 | 10,069 |
| | 32,119 | 149,587 |
| Foreign taxation | | |
| Current | 1,231 | 1,571 |
| Deferred | 1,032 | (2,205) |
| Share of taxation of associated companies | 2,250 | 9,844 |
| Share of taxation of jointly controlled entities | 228 | 228 |
| | 36,860 | 159,025 |
| (Over)/under provision | | |
| Current | 307 | (460) |
| Deferred | 1,082 | 1,842 |
| | 38,249 | 160,407 |

The effective tax rate is lower than the statutory rate mainly due to non-taxable and tax exempt income and utilisation of reinvestment allowances.

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 RM6.397 million for the current financial year-to-date under review.



RM'000

B7. Quoted securities

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

| Individual | Cumulative |
|----------------|--|
| Quarter | Quarter |
| 3 months ended | 12 months ended |
| 31-Dec-2005 | 31-Dec-2005 |
| RM'000 | RM'000 |
| 281 | 310 |
| 291 | 63,929 |
| (1) | 26,812 |
| | Quarter 3 months ended 31-Dec-2005 RM'000 281 291 |

(b) Total investments in quoted securities as at 31 December 2005 were as follows:-

| At cost | 405,789 |
|-----------------|---------|
| At book value | 399,170 |
| At market value | 628.089 |

B8. Status of corporate proposals

On 13 October 2004, the Company entered into two separate conditional Share Sales 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. Todate, certain conditions precedent have not yet been fulfilled and the prescribed period for their fulfillment/satisfaction has been extended for a further period of 6 months commencing on 13 February 2006 and expiring on 12 August 2006.

B9. Group borrowings

Total Group borrowings as at 31 December 2005 were as follows:-

| | RM'000 | RM'000 | RM'000 |
|--|----------|---------|-----------|
| | Total | Secured | Unsecured |
| Long term bank loans | 9,819 | - | 9,819 |
| Long term bank loans (USD) | 132,607 | - | 132,607 |
| Long term bank loans (RMB) | 22,962 | - | 22,962 |
| Hire purchase liabilities | 774 | 774 | <u>-</u> |
| Repayments due within the next 12 months | (16,724) | (599) | (16,125) |
| | 149,438 | 175 | 149,263 |
| Short term bank borrowings | | | |
| Bills payable | 236,131 | - | 236,131 |
| Short term loans | 80,195 | - | 80,195 |
| Short term loans (USD) | 28,090 | - | 28,090 |
| Current portion of long term loans | 16,125 | - | 16,125 |
| Hire purchase liabilities | 599 | 599 | - |
| | 361,140 | 599 | 360,541 |
| Bank overdrafts | 5,941 | 1,921 | 4,020 |
| | 367,081 | 2,520 | 364,561 |

NOTES continued

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 22 February 2006, the Group has hedged outstanding foreign currency contracts of USD83.754 million equivalent to RM314.761 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 22 February 2006.

B11. Material litigation

As previously reported, Suburmas Plantations Sdn Bhd, a 70% owned subsidiary 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. The date of hearing has been fixed for 17 to 21 July 2006.

B12. Dividend

The Board of Directors is pleased to recommend a final dividend for the financial year ended 31 December 2005 of 15 sen per share less 28% income tax (2004: 10 sen per share comprising 2.5 sen tax exempt and 7.5 sen less 28% income tax) payable on Wednesday, 7 June 2006 subject to approval of shareholders at the 37th Annual General Meeting to be held on Thursday, 18 May 2006.

Together with the interim dividend of 5 sen per share less 28% income tax paid on 28 September 2005, the total dividend paid and payable to-date for the financial year ended 31 December 2005 is 20 sen per share less 28% income tax (2004 : 30 sen per share comprising of 7.5 sen tax exempt and 22.5 sen less 28% income tax).

Dividend payment/entitlement date

Notice is hereby given that the final dividend will be payable on Wednesday, 7 June 2006 to shareholders whose names appear in the Record of Depositors at the close of business on Wednesday, 24 May 2006.

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, 24 May 2006 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 / Payable

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

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.

| Financial Year | Туре | 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 |
| 2005 | Final dividend | 15 sen less 28% income tax* | Payable on 7 June 2006 |

^{*} Based on the enlarged share capital after the 1 for 1 Bonus Issue.

Kuala Lumpur 28 February 2006 By Order of the Board Tan Teong Boon Company Secretary