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# INVESTOR UPDATE

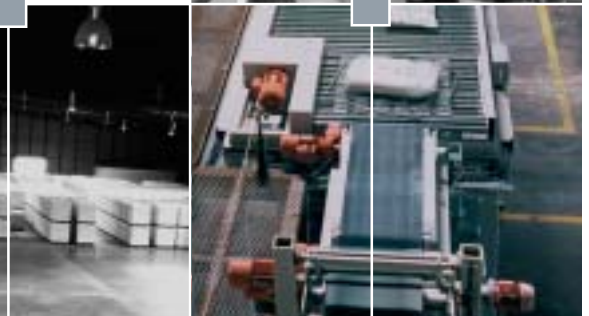
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PPB GROUP BERHAD



# FEATURE ARTICLE



## PROPOSED PRIVATISATION OF FFM BERHAD

On 10 November 2003, PPB's Board announced its intention to privatize its 54.23% subsidiary, FFM Berhad (FFM), by acquiring the remaining shares in FFM not already owned by PPB by way of a FFM members' scheme of arrangement ("the Proposed Privatisation") under Section 176 of the Companies Act, 1965.

### The Offer by PPB

Under the scheme, PPB will offer a share exchange of one (1) new ordinary share of RM1.00 each in PPB plus cash of RM2.00 for every one (1) FFM share held. The new PPB shares will be issued at RM5.97 being the five day weighted average price of PPB up to 6 November 2003.

1 FFM share = 1 PPB share + RM2 cash

Based on the pre-suspension price of RM6.90 per share for FFM and RM5.95 for PPB, the scheme shareholders are offered a premium of 15% over FFM's market price and 8% over FFM's latest net tangible assets per share as at 30.9.2003.



# FEATURE ARTICLE

Based on the issued and paid-up share capital of FFM and PPB's shareholding in FFM as at 12 September 2003, PPB shall acquire the remaining 102,126,187 FFM shares representing 45.77% of the issued and paid-up capital of FFM which shall be satisfied by the issuance of 102,126,817 new PPB shares and RM204.25 million in cash. PPB's paid-up capital will increase from RM490.6 million to RM592.7 million. The cash of RM204.25 million is proposed to be sourced from bank borrowings and/or internally generated funds.

Upon completion of the Proposed Privatisation, FFM will become a wholly-owned subsidiary of PPB.

## About FFM

FFM was incorporated in Malaysia as a private limited company on 3 December 1962 under the name of Federal Flour Mills Sdn Bhd. On 14 November 1970, it was converted to a public limited company and assumed the name of Federal Flour Mills Berhad. It assumed its present name on 30 December 1999.

On 11 August 1982, FFM was admitted to the Official List of the Main Board of the KLSE.

FFM's principal activities are investment holding, flour milling, animal feed manufacturing, marketing and trading of wheat, maize and soya beans and palm oil refining.

The consolidated profit after taxation and minority interest of FFM for the financial year ended 31 December 2002 was RM161.79 million and the restated NTA of the FFM Group as at 31 December 2002 stood at RM1.55 billion.

## Approvals Required

The Proposed Privatisation is subject to the approvals of the Securities Commission, Foreign Investment Committee, Ministry of International Trade & Industry, KLSE, shareholders of PPB and FFM, High Court of Malaya and other relevant authorities.

## Estimated Time Frame for the Completion

The Proposed Privatisation is estimated to be completed by the 3rd quarter of 2004.

## PPB's Rationale for the Proposed Privatisation

- **Enhance Financials and Capital Structure**  
The Proposed Privatisation will strengthen the balance sheet and improve the earnings of PPB. The enlarged PPB Group would have a combined shareholders' funds in excess of RM3.33 billion, an increase from the existing RM2.7 billion and also a broader income base.
- **Improve Equity Story and Liquidity**  
The Proposed Privatisation would pool together the investors of two listed companies and focus their attention on a single diversified company with five core businesses namely, sugar refining and cane plantations, grain and feed milling, edible oils processing, oil palm plantation and environmental engineering, waste management and utilities.  
  
The concentration of the investors in the enlarged PPB Group will improve the liquidity of PPB shares in view of the larger investor base and a singular equity story for PPB shares.

# FEATURE ARTICLE

## Enhance Market Capitalisation

The enlarged PPB Group would have a higher market capitalization of approximately RM3.5 billion (assuming the 5-day weighted average price of PPB shares to 6 November 2003 of RM5.97 is maintained) on the KLSE compared to the present RM2.9 billion. This is expected to attract the attention of investors especially the institutional investors who wish to have an exposure in steady income companies.

- **Better Deployment of Cash Reserves of FFM**  
The enlarged PPB Group would be able to efficiently deploy the cash reserves of FFM for new business ventures or expansion of existing business to further enhance shareholder value.
- **Enhancement in Earnings**  
There will not be a dilution in the earnings per share of the enlarged PPB Group but an enhancement of 2 sen per share based on the latest audited results as a result of the consolidation of the remaining 45.77% earnings in FFM.

## Benefits of the Proposed Privatisation to FFM shareholders

- FFM shareholders are able to receive cash of RM2.00 for each FFM share surrendered under the Proposed Privatisation, thereby allowing them to realize part of their investment whilst still retaining an indirect equity interest in FFM via their shareholding in the enlarged PPB Group.
- FFM shareholders will be able to participate in the enlarged PPB Group which will have a significantly enhanced market capitalization, low gearing and overall sound financial standing as well as to benefit from the expected increase in interest and liquidity of PPB shares.
- FFM shareholders will also have the opportunity to participate in the future of the enlarged PPB Group which is expected to have better earnings, higher shareholders' funds of RM3.3 billion and broader income base.
- FFM shareholders participating in the Proposed Privatisation will also be able to enjoy a steady income base from the diversity in PPB Group's core businesses which provides safeguards and different revenue streams in times of economic downturns or setbacks in any one industrial sector.
- FFM with a strong cashflow is in a position to finance most of its operations from internally generated funds and therefore no longer require its listing status to raise equity finance through the market in the foreseeable future. The delisting of FFM will reduce FFM's administrative cost substantially.

# HAPPENINGS

## PPB Oil Palms Berhad nominated for KPMG Shareholder Value Awards 2002

PPB Oil Palms Berhad ("PPBOP"), a 55.6% subsidiary of PPB Group Berhad, was nominated for the "KPMG Shareholder Value Awards 2002" in July 2003.

The KPMG Shareholder Value Awards were inaugurated in 2001 and are given in nine categories. The awards are aimed at recognising public-listed companies which had produced exemplary shareholder value for the year based on a pre-determined set of criteria. With certain exceptions, all companies listed on the Main and Second Board of the KLSE are eligible for this award.

PPBOP's second placing under the category for 'Agriculture & Fisheries' reflects the company's commitment to enhance shareholder value and its improved results for the year.



## Joint Venture with Volac International Limited

On 25 August 2003, PGEO Group Sdn Bhd (PGSB), a wholly-owned subsidiary of PPB Group, entered into a Joint Venture Agreement with Volac Limited to subscribe for shares in a joint venture company known as "Volac Ingredients Sdn Bhd (VISB)" with the former taking 51% equity interest. VISB will undertake the production of calcium salts for feed ingredients using Palm Fatty Acid Distillate (PFAD) at PGSB's factory in Pasir Gudang, Johor.

PGSB is a major palm oil exporter in Malaysia processing over 3.0 million tonnes of palm oil every year. Its activities are vertically integrated from the conversion of crude oils into refined oil products to production of shortening and hydrogenated products, cocoa butter replacers and other specialty fats which are marketed in bulk, drums and consumer packs.

Volac Limited is an established British company founded over 30 years ago in England. Its major product is calcium salt which is commonly known by its brand name "Megalac". Volac has been a market leader and innovator in animal nutrition, healthcare and feed ingredients which are marketed worldwide. It has three main manufacturing facilities in the United Kingdom as well as several subsidiaries in Europe, USA and Japan, engaged in the development, manufacture and marketing of Volac products.

The joint venture with Volac Limited enables PGSB to broaden its business activities, in particular, diversifying the use of PFAD for the manufacture of value added products as well as explore new markets and alternatives to remain competitive.

## HAPPENINGS

### LUGOUQIAO SEWAGE TREATMENT PLANT PROJECT IN BEIJING

A consortium comprising Kerry Utilities Limited (KUL), a 50% overseas subsidiary of PPB Group Berhad held through ChemQuest Group, has won a bid for the RMB201 million Lugouqiao Sewage Treatment Plant (Phase 1) project in Fengtai District, Beijing, China on 16 July 2003.

Pursuant to the award, the consortium has formed a business association with the Beijing Municipal Urban Water Discharge (Group) Co. Ltd. ['BWDG'] to jointly fund the construction of the sewage treatment plant, which has a capacity of 100,000 m<sup>3</sup>/day. Upon completion of the construction, the business association will assume the operations and maintenance of the plant for a concession period of 20 years commencing July 2004. The project is expected to generate total revenue in excess of RMB1 billion over the concession period.

Tapping into China's policy to promote commercialization of the utilities and environmental engineering sectors, PPB intends to develop these prospects into the next core business of the Group. At present, PPB is actively exploring numerous utilities and environmental engineering opportunities in other major cities in China, including Shanghai and the Pearl River Delta.

### ANALYST BRIEFING

PPB Group Berhad organized its second Analyst Briefing for the year on 17 September 2003 at Wisma Jerneh, Kuala Lumpur.

The Briefing was held to provide analysts with a review of the Group's financial results ended 30 June 2003 as well as an update of the Group's latest developments.

The Chairman together with CEOs from respective divisions dealt with numerous questions raised by the analysts during the Q & A session.

A total of 30 representatives from various research houses and securities firms attended the Briefing.



### PPBH'S ACQUISITION OF TAMAN AMAN LAND

On 3 September 2003, PPB Hartabina Sdn Bhd (PPBH), the property arm of PPB signed a Sale & Purchase Agreement with Malayan Sugar Manufacturing Co. Berhad (MSM) to acquire 28.893 acres of land at Tanah Aman, Bukit Tengah, Province Wellesley Central for a total cash consideration of RM12,585,000. Both PPBH and MSM are wholly-owned subsidiaries of PPB.

PPBH is planning to undertake a residential development comprising high-end semi detached houses and bungalow units at the said land.

# HAPPENINGS

## REACHING OUT TO OLD FOLKS & CHILDREN



“Let’s Care Together” is the theme of this year’s community relations project for PPB when it organized a “Gotong-Royong” activity at the Rumah Charis Home for the Aged and Children on 26 July 2003.

More than 30 staff lent their hands to help brighten up the home by painting the walls and gates, washing the toilets and bathrooms and cleaning the halls and premises. Each staff was also assigned to do simple chores for the elderly such as cutting their nails and massaging their backs. Excitement ensued during the photo session as each elderly was given a choice from an array of interesting scenarios ranging from “The Great Wall of China” to the “Eiffel Tower” to be used as the background for their portrait.

In addition to the angpows and hampers, PPB also contributed other daily essentials such as bath towels, foods, detergents and medications to Rumah Charis. Wanting to do something extra for the children, the staff took the initiative to collect monies to buy VCD players and games for both the boys’ and girls’ home.





# SHARE ANALYSIS

## PPB SHARE & KUALA LUMPUR COMPOSITE INDEX PERFORMANCE FOR 3RD Q 2003

3rd Q 2003    2nd Q 2003    %change

### PPB share price

Closing price (high)	5.50	4.66	18%
Closing price (low)	4.70	4.00	18%
Month end closing price	5.30	4.62	15%
Weighted share price	5.23	4.47	17%
Market capitalization (RM' million)	2,600.30	2,266.68	15%

### PPB share volume

Daily volume (high)	810,100	1,859,000	-56%
Daily volume (low)	24,100	2,000	1105%
Average daily volume shares	234,122	199,094	18%

### Kuala Lumpur Composite Index (KLCI) share price

KLCI closing (high)	756.48	691.96	9%
KLCI closing (low)	693.58	624.18	11%
KLCI month end closing	733.45	691.96	6%

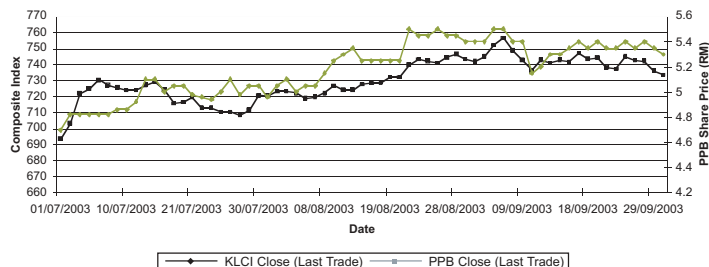
### Kuala Lumpur Composite Index (KLCI) share volume

Daily volume (high)	251,305,696	112,804,200	123%
Daily volume (low)	40,263,300	16,131,200	150%
Average daily volume shares	77,712,787	50,996,468	52%

The Kuala Lumpur Stock Exchange closed 41.49 points higher at 733.45 points on 30 September 2003, compared with 691.96 points on 30 June 2003. Local market sentiments improved in the third quarter following the foreign buying of blue chip stocks and better-than-expected 2Q 2003 GDP growth of 4.4%.

Outperforming the KLSE, PPB's share price closed 15% higher at RM5.30 on 30 September 2003, compared with RM4.62 on 30 June 2003. Market capitalization of PPB shares continued to expand to reach RM2.6 billion. The daily average volume rose to 234,122 shares in the third quarter, an increase of 18% over the average volume in the preceding quarter.

KLCI & PPB Share Price for 3rd Q 2003



# FINANCIAL STATISTICS

## GROUP FINANCIAL HIGHLIGHTS

(The figures have not been audited)	9 months		Change (%)	12 months	
	30.9.2003 (RM'million)	30.9.2002 (RM'million)		31.12.2002 (RM'million) Audited and restated *	
<b>Income Statements</b>					
Revenue	6,750.560	5,658.668	19.3%	7,857.980	
Profit from operations	437.858	249.799	75.3%	385.976	
Profit before taxation	526.227	340.297	54.6%	508.883	
Net profit	271.529	170.700	59.1%	250.703	
<b>Balance Sheet</b>					
Non-current assets	3,488.720	3,351.319	4.1%	3,378.440	
Current assets	2,013.126	1,889.420	6.5%	1,968.442	
■ Cash and deposits	643.465	547.753	17.5%	478.532	
Non-current and deferred liabilities	356.078	336.600	5.8%	344.817	
Current liabilities	828.719	822.057	0.8%	929.963	
■ Borrowings					
-> Long term	81.438	78.867	3.3%	78.148	
-> Short term	268.884	374.634	-28.2%	383.244	
Share capital	490.623	490.623	0.0%	490.623	
Shareholders' fund	2,886.601	2,751.481	4.9%	2,702.798	
Fund employed	4,673.127	4,418.682	5.8%	4,416.919	
<b>Financial Ratios</b>					
Return on net assets	(%)	11.29	7.74	11.58	
Return on equity	(%)	9.41	6.20	9.28	
EPS	(sen)	55.34	34.79	59.1%	51.10
Profit before tax over revenue	(%)	7.80	6.01	6.48	
Interest coverage	(times)	71.78	42.37	69.4%	37.69
Current ratio	(times)	2.43	2.30	5.7%	2.12
Debt ratio	(%)	2.74	2.79	2.81	
NTA per share	(RM)	5.81	5.53	5.1%	5.44
Net dividend per share	(sen)	7.60	32.60	-76.7%	43.00
<b>Stock Market Information</b>					
Share price	(RM)	5.30	3.84	38.0%	3.94
Market capitalisation	(RM'million)	2,600.30	1,883.99	38.0%	1,933.05
PE ratio (annualised)	(times)	7.18	8.28	-13.3%	7.71

\* The comparative figures have been restated to include effects on the recognition of deferred tax in compliance with MASB 25 - Income Taxes and amortisation policy on plantation development expenditure.

# PRESS RELEASE

## THIRD QUARTER 2003 FINANCIAL RESULTS

### 55% PRE-TAX PROFIT GROWTH COMPARED TO PERIOD ENDED 30.09.2002

PPB Group Berhad is pleased to announce a 55% increase in its pre-tax profit to RM526.2 million for the 9 months ended 30 September 2003 from RM340.3 million achieved in the same period last year. The significant increase in profit is largely due to improved performances from the food manufacturing activities, edible oils refining and oil palm plantations operations.

Revenue was up 19% to RM6.751 billion from RM5.659 billion boosted by higher selling prices of palm oil and its related products. The edible oils refining division accounted for 71% of the Group's revenue.

Net earnings rose 59% to RM271.5 million from RM170.7 million equivalent to earnings per share of 55.34 sen compared with 34.79 sen for the corresponding period last year. Annualised, this would translate to a price-earnings ratio of below 8 at PPB's closing price today of RM5.75.

Benefiting from the strong results, shareholders' funds increased to RM2.887 billion from RM2.703 billion and net tangible assets per share appreciated to RM5.81 from RM5.44. The Group's core businesses continue to generate good cash flows, contributing to a net cash surplus of RM293 million. The cash surplus will enable PPB to finance the cash portion of its FFM acquisition without external borrowings.

PPB had on 10 November 2003 announced its intention to privatize its 54.23% subsidiary, FFM Berhad (FFM) by way of a FFM members' scheme of arrangement under Section 176 of the Companies Act, 1965. Under the scheme, PPB will offer 1 new ordinary share of RM1.00 each in PPB plus cash of RM2.00 for every 1 FFM share held.

Based on PPB's shareholding in FFM, PPB will acquire approximately 102 million FFM shares through the issuance of 102 million new PPB shares and RM204 million in cash.



## **PRESS RELEASE**

“This Proposed Privatisation will unlock the true value of FFM, improve market capitalization and liquidity of PPB shares, strengthen PPB Group’s balance sheet and broaden its income base without diluting its earnings per share to benefit both PPB and FFM shareholders.” commented Mr Ong Ie Cheong, Executive Chairman of PPB Group Berhad.

Other highlights on the Group’s operating profit for the period under review are as follows:-

- Contribution from grain & feed milling operations grew by 8.3% to account for 15% of total group profit mainly due to favourable trading conditions.
- Higher crop production and better palm product prices increased oil palm plantation division’s contribution by 28% to RM129 million. FFB production improved by 8% to 815,807 tonnes whilst the average realised prices for CPO and palm kernel increased to RM1,466 and RM667 per tonne respectively.
- Edible oils refining profits increased by more than five fold driven mainly by higher refining margins.
- A stronger line-up of blockbuster films and the Government’s curb on piracy attributed to the significant increase in profits from film exhibition and distribution operations by 117% to RM7.7 million.
- Property division posted a 29% increase in profit derived mainly from the Bukit Segar residential project and higher rental income from Cheras LeisureMall.

Mr Ong said “The Directors are pleased to have delivered a strong set of results across all sectors of our businesses for the nine months to 30 September 2003 and remain confident that 2003 would be another exceptionally successful year for PPB Group.”

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 SEPTEMBER		9 months ended 30 SEPTEMBER	
(The figures have not been audited)	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Revenue	2,498,478	2,168,095	6,750,560	5,658,668
Operating expenses	(2,355,230)	(2,046,227)	(6,344,310)	(5,430,661)
Other operating income	7,346	4,567	31,608	21,792
Profit from operations	150,594	126,435	437,858	249,799
Net profit from investing activities	8,264	(5,389)	14,389	11,102
Share of associated companies' profits less losses	38,958	39,601	81,415	87,600
Share of jointly controlled entities' profits less losses	-	201	-	22
Finance costs	(1,131)	(3,165)	(7,435)	(8,226)
Profit before taxation	196,685	157,683	526,227	340,297
Taxation	(44,152)	(36,431)	(130,363)	(73,612)
Profit after taxation	152,533	121,252	395,864	266,685
Minority interest	(49,685)	(43,046)	(124,335)	(95,985)
Net profit for the period	102,848	78,206	271,529	170,700
Earnings per share (sen) :-				
(a) Basic (based on 490,623,124 ordinary shares)	20.96	15.94	55.34	34.79
(b) Diluted (based on 490,623,124 ordinary shares) arising from exercise of employee share options granted by PPB Oil Palms Berhad (PPBOP) thereby diluting group's share of PPBOP's earnings.	20.92	15.90	55.27	34.72

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2002.)

## CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 30 SEP 2003 RM'000 (Unaudited)	As at 31 DEC 2002 RM'000 (Audited) (Restated *)
Property, plant and equipment	2,445,426	2,398,962 *
Land held for development	15,832	14,817
Investment in associated companies	744,173	686,083 *
Investment in jointly controlled entities	315	314
Long term investments	239,862	236,655
Goodwill on consolidation	37,512	37,093
Deferred tax assets	5,600	4,516 *
<b>Current Assets</b>		
Inventories	659,381	729,666
Land under development	30,571	44,890
Receivables	679,709	715,354
Cash and cash equivalents	643,465	478,532
	<u>2,013,126</u>	<u>1,968,442</u>
<b>Current Liabilities</b>		
Payables	509,566	535,520
Short term borrowings	268,884	383,244
Taxation	50,269	11,199 *
	<u>828,719</u>	<u>929,963</u>
<b>Net Current Assets</b>	<u>1,184,407</u>	<u>1,038,479</u>
	<u>4,673,127</u>	<u>4,416,919</u>
<b>Financed by :</b>		
Share capital	490,623	490,623
Reserves	2,395,978	2,212,175 *
Shareholders' equity	2,886,601	2,702,798
Minority interest	1,430,448	1,369,304 *
Long term borrowings	81,438	78,148
Reserve on consolidation	12,392	11,187
Deferred tax liabilities	262,248	255,482 *
	<u>4,673,127</u>	<u>4,416,919</u>
<b>Net tangible assets per share (sen)</b>	581	544 *

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2002.)

\* These figures have been restated to include effects on the recognition of deferred tax in compliance with MASB 25 - Income Taxes and amortisation policy on plantation development expenditure.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable Reserves							
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Total reserves RM'000	Retained profits RM'000	Total RM'000
<b>9 months ended</b>								
<b>30 September 2003</b>								
<b>At 1 January 2003</b>								
- As previously reported	490,623	21,128	133,300	31,997	140,391	305,688	2,009,414	2,826,853
- Prior year adjustment (refer to Note A1)	-	-	(45,684)	-	(247)	(45,931)	(78,124)	(124,055)
- As restated	490,623	21,128	87,616	31,997	140,144	259,757	1,931,290	2,702,798
Net (losses)/gains not recognised in the income statement	-	-	(528)	1,781	349	1,602	(1,016)	586
Net profit for the year	-	-	-	-	-	-	271,529	271,529
Transfer of reserves	-	-	(650)	-	134	(516)	516	-
Dividends paid	-	-	-	-	-	-	(88,312)	(88,312)
<b>At 30 September 2003</b>	<b>490,623</b>	<b>21,128</b>	<b>86,438</b>	<b>33,778</b>	<b>140,627</b>	<b>260,843</b>	<b>2,114,007</b>	<b>2,886,601</b>
<b>9 months ended</b>								
<b>30 September 2002</b>								
<b>At 1 January 2002</b>								
- As previously reported	490,623	21,140	142,399	23,737	122,939	289,075	1,974,690	2,775,528
- Prior year adjustment (refer to Note A1)	-	-	(44,413)	-	(247)	(44,660)	(70,809)	(115,469)
- As restated	490,623	21,140	97,986	23,737	122,692	244,415	1,903,881	2,660,059
Net (losses)/gains not recognised in the income statement	-	-	(7,191)	5,157	1,143	(891)	1,106	215
Net profit for the period	-	-	-	-	-	-	170,700	170,700
Transfer of reserves	-	-	(2,995)	-	(1,558)	(4,553)	4,553	-
Dividends paid	-	-	-	-	-	-	(79,481)	(79,481)
Bonus issue expenses	-	(12)	-	-	-	-	-	(12)
<b>At 30 September 2002</b>	<b>490,623</b>	<b>21,128</b>	<b>87,800</b>	<b>28,894</b>	<b>122,277</b>	<b>238,971</b>	<b>2,000,759</b>	<b>2,751,481</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2002.)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30 SEPTEMBER	
	2003	2002
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	526,227	340,297
Adjustments :-		
Non-cash items	24,869	414
Non-operating items	(5,986)	(5,191)
Operating profit before working capital changes	545,110	335,520
Working capital changes		
Net change in current assets	110,171	25,384
Net change in current liabilities	(30,547)	(35,545)
Cash generated from operations	624,734	325,359
Tax paid	(75,895)	(99,445)
<b>Net cash generated from operating activities</b>	<b>548,839</b>	<b>225,914</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(123,519)	(142,640)
Proceeds from disposal of property, plant and equipment	9,531	13,767
Investment in subsidiary companies	(30,772)	-
Investment in associated companies	(5,000)	(3,030)
Proceeds from disposal of associated companies	-	59,397
Redemption of preference shares of an associated company	-	12,100
Dividend received from investments	17,683	22,266
Interest received	10,755	9,615
Other investing activities	(2,891)	(1,493)
<b>Net cash used in investing activities</b>	<b>(124,213)</b>	<b>(30,018)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Shares issued to minority shareholders of subsidiary companies	15,876	42,357
Bank borrowings	(112,949)	(47,248)
Interest paid	(7,541)	(10,171)
Dividends paid	(152,722)	(125,509)
Other financing activities	-	(33)
<b>Net cash used in financing activities</b>	<b>(257,336)</b>	<b>(140,604)</b>
<b>Net increase in cash and cash equivalents</b>	<b>167,290</b>	<b>55,292</b>
Cash and cash equivalents at 1 January	466,410	482,082
Effect of exchange rate changes	(952)	930
<b>Cash and cash equivalents at 30 September</b>	<b>632,748</b>	<b>538,304</b>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2002.)



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

The interim financial reports of the Group are unaudited and have been prepared in accordance with the requirements of MASB 26 - Interim Financial Reporting and Chapter 9 Part K of the new listing requirements of Kuala Lumpur Stock Exchange. The interim financial reports of the Group are prepared using the same accounting policies, methods of computation and basis of consolidation as those used in the preparation of the most recent audited annual financial statements, except for the following :-

*(i) Adoption of MASB 25 - Income Taxes*

In compliance with MASB 25, the recognition of deferred tax assets and liabilities has been applied retrospectively resulting in prior year adjustments and restatement of the comparative figures for 31 December 2002.

*(ii) Adoption of amortisation policy on plantation development expenditure*

In line with the Group's amortisation policy on leasehold land, plantation development expenditure of the Group's matured estates has been amortised over the lease periods of plantation lands retrospectively. The adoption of amortisation policy on plantation development expenditure has increased the amortisation expense by RM7.6 million for the financial period ended 30 September 2003.

The effects of the implementation of MASB 25 and amortisation policy on plantation development expenditure for the financial year ended 31 December 2002 are summarised as follows :-

	As previously reported	As at 31 December 2002	As restated
	RM'000	Effect RM'000	RM'000
Property, plant and equipment	2,449,785	(50,823)	2,398,962
Revaluation reserve	133,300	(45,684)	87,616
Retained profits	2,009,414	(78,124)	1,931,290
Capital reserve	140,391	(247)	140,144
Investment in associated companies	687,233	(1,150)	686,083
Deferred tax asset	-	4,516	4,516
Minority interest	1,480,654	(111,350)	1,369,304
Deferred tax liability	63,903	191,579	255,482
Provision for taxation	14,830	(3,631)	11,199
	RM	RM	RM
Net tangible assets per share	5.69	(0.25)	5.44

**A8. Segmental reporting**

Segmental information in respect of the Group's business segments for the 9 months ended 30 September 2003:

All figures in RM'000	Sugar refining and cane plantation	Grain trading, flour and feed milling	Edible oils refining & trading	Oil palm plantations
<b>Information about Business Segments:</b>				
<b>REVENUE</b>				
External Sales	550,622	523,974	4,981,620	91,838
Inter - Segment sales	-	26,480	78,686	244,054
Total revenue	550,662	550,454	5,060,306	335,892
<b>RESULT</b>				
Segment operating profit/(loss)	126,882	65,180	71,234	129,173
Unallocated corporate expense				
Operating profit				
Investing activities				
Finance costs				
Share of associated companies' profits less losses	1,288	-	38,838	1,090
Profit before taxation				

**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. As the cropping pattern declines to a trough in the first half of the year and rises to a peak in the second half, the performance of the Group's plantations and mills will be reflected accordingly.

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

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

**A5. Nature and amount of changes in estimates**

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

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

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

**A7. Dividends paid during the financial period ended 30 September 2003**

	9 months ended 30 SEP 2003 RM'000
<u>Dividends paid on ordinary shares</u>	
2002 Final dividend - 5 sen tax exempt & 7.5 sen less 28% income tax	51,025
2003 Interim dividend - 4 sen tax exempt & 5 sen less 28% income tax	37,287
	<u>88,312</u>

Livestock farming	Packaging	Environmental engineering, waste management and utilities	Film exhibition and distribution	Property investment and development	Others	Elimination	Total
36,533	76,263	76,098	62,481	89,461	261,670	-	6,750,560
4,498	12,377	-	-	621	14,638	(381,354)	-
41,031	88,640	76,098	62,481	90,082	276,308	(381,354)	6,750,560
3,851	11,430	(652)	7,680	23,980	5,890	314	444,962
							(7,104)
							437,858
							14,389
							(7,435)
-	-	11,745	383	2,317	25,754	-	81,415
							<u>526,227</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 12 August 2003, PPB's 55.65%-owned subsidiary company, PPB Oil Palms Bhd, had completed the acquisition of 100% equity interest in Jasa Karya Sdn Bhd "(JKSB)" for a total cash consideration of RM8.369 million, and the settlement of an amount of RM10.799 million owing by JKSB's wholly-owned subsidiary company, Sekar Imej Sdn Bhd, to its previous holding company, Imej Warisan Sdn Bhd.
- b) On 15 October 2003, PPB's 54.2% indirect subsidiary company, Golden Screen Cinemas Sdn Bhd, acquired 100% equity interest in Glitters Café Sdn Bhd (GC) for a total cash consideration of RM2.00. GC is principally involved in the restaurant and merchandising business.
- c) On 7 November 2003, PPB's 50% indirect subsidiary company, Kerry Utilities Limited, invested RMB21.42 million representing 51% of the registered capital of Beijing Kerry Veolia Waste Water Treatment Company Limited (BKV). BKV together with Beijing Drainage Group Co. Ltd established a non-legal person business association to fund the Lugouqiao Sewage Treatment Plant Project in Beijing, China.

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

There were no changes in the unsecured bank guarantees issued in consideration of credit facilities granted to associated companies as at 30 September 2003.

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

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

Group revenue of RM6.751 billion for the 9 months ended 30 September 2003 was 19% higher compared with RM5.659 billion for the corresponding period last year mainly due to higher selling prices for palm oil and its related products.

The Group achieved a record profit before tax of RM526.227 million representing an increase of 55% compared with RM340.297 million for the same period last year. The oil palm plantation division contributed higher profits mainly due to higher production and better palm product prices. The edible oils refining and sugar refining divisions also increased their profit contributions compared to the same period last year. The Group's other main business operations achieved satisfactory results.

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

The Group profit before tax for the quarter under review of RM196.685 million was 15% higher compared with RM171.111 million for the preceding quarter. Profits from the plantation operations for the current quarter were better than the immediate preceding quarter due to higher crop production although palm product prices were lower. The Group's other major operations including associated companies also recorded higher profits.

**B3. Prospects for current financial year**

For the last quarter of 2003, it is expected that all main operating divisions will continue to maintain their good performance and the directors expect Group pre-tax profits for 2003 to be significantly higher than that of 2002.

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

Not applicable.

**B5. Taxation**

Taxation comprises:-	Individual Quarter 3 months ended 30-Sep-2003 RM'000	Cumulative Quarter 9 months ended 30-Sep-2003 RM'000
Malaysian taxation based on profit for the period:-		
Current	35,847	114,018
Deferred	3,398	4,063
Share of taxation of associated companies	3,841	9,065
	43,086	127,146
Foreign taxation		
Current	250	1,548
Deferred	(102)	1,294
Share of taxation of associated companies	1,994	4,478
	45,228	134,466
Under/(over) provision		
Current	1,892	(1,076)
Deferred	(2,968)	(3,027)
	44,152	130,363

The effective tax rate is lower than the statutory rate mainly because of the utilisation of tax incentives and lower tax rates in foreign jurisdiction.

**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 RM1.856 million for the current period under review.

**B7. Quoted securities**

(a) There were no sales of quoted investments for the period under review, whilst purchases of quoted investments amounted to RM118,000.

(b) Total investments in quoted securities as at 30 September 2003 are as follows:-	RM'000
At cost	227,162
At book value	214,403
At market value	216,893

**B8. Status of corporate proposals**

- (a) Savers Retail Sdn Bhd, a 100%-owned subsidiary of the Company, was placed under members' voluntary liquidation on 30 August 2002. The liquidation was completed on 29 September 2003 and the surplus from liquidation was RM315,000.
- (b) Reefton Sdn Bhd, a shipping company and a 100%-owned subsidiary of FFM Berhad, was placed under members' voluntary liquidation on 23 September 2002 following the sale of a vessel which is its only asset. The liquidation is expected to be completed by December 2003.
- (c) Tri-Electro Sdn Bhd, a 76% indirect subsidiary of the Company, has resolved to undertake a members' voluntary liquidation on 4 August 2003. The surplus from liquidation is not material.
- (d) PGE0 Group Sdn Bhd, a wholly-owned indirect subsidiary of the Company, had on 25 August 2003 entered into a Joint Venture Agreement with Volac Limited to subscribe for shares in Volac Ingredients Sdn Bhd for the production of calcium salts using Palm Fatty Acid Distillate. The proposal has been approved by the Malaysian Industrial Development Authority (MIDA).
- (e) On 10 November 2003, PPB's Board announced its intention to privatize its 54.23% subsidiary company, FFM Berhad (FFM), by acquiring the remaining shares in FFM not already owned by PPB by way of a FFM members' scheme of arrangement under Section 176 of the Companies Act, 1965.

Under the scheme, PPB will offer one (1) new ordinary share of RM1.00 each in PPB plus cash of RM2.00 in exchange for every one (1) FFM share held.

Based on the issued and paid-up share capital of FFM and PPB's shareholding in FFM as at 12 September 2003, PPB shall acquire the remaining 102,126,817 FFM shares representing 45.77% of the issued and paid-up capital of FFM which shall be satisfied by the issuance of 102,126,817 new PPB shares and RM204,253,634 in cash. The cash of RM204.25 million is proposed to be sourced from bank borrowings and/or internally generated funds.

**B9. Group borrowings**

Total Group borrowings as at 30 September 2003 are as follows:-

	RM'000	RM'000	RM'000
	Total	Secured	Unsecured
Long term bank loans	1,563	-	1,563
Long term bank loans (USD)	84,260	-	84,260
Long term bank loans (SGD)	3,089	3,089	-
Hire purchase liabilities	218	218	-
Repayments due within the next 12 months	(7,692)	(509)	(7,183)
	<u>81,438</u>	<u>2,798</u>	<u>78,640</u>
Short term bank borrowings			
Bills payable	161,655	-	161,655
Short term loans	66,900	-	66,900
Short term loans (USD)	18,867	-	18,867
Short term loans (Vietnamese Dong)	3,053	-	3,053
Current portion of long term loans	7,483	300	7,183
Hire purchase liabilities	209	209	-
	<u>258,167</u>	<u>509</u>	<u>257,658</u>
Bank overdrafts	10,717	-	10,717
	<u>268,884</u>	<u>509</u>	<u>268,375</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 15 November 2003, the Group has hedged outstanding foreign currency contracts of USD247.839 million equivalent to RM944.934 million. These contracts are short term and majority are due to mature within the next five months.

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

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

Commodities Futures Contracts

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

As at 15 November 2003, the Group's outstanding commodities futures sales and purchases contracts amounted to RM2.319 million and RM17.068 million respectively. All these outstanding sales and purchases contracts are due to mature within the next one month and one to four months respectively.

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

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

**B11. Material litigation**

- (a) There is no change in the status of the application made by PPB's 70% indirect subsidiary company, Suburmas Plantations Sdn Bhd, to refer its claim of RM77.3 million for 2,176 hectares of land compulsorily acquired by the Sarawak State Government to the High court for settlement.
- (b) As previously reported, a suit was filed at the High Court of Sabah and Sarawak in Sandakan against the Sabah State Government challenging the alienation of land to two indirect subsidiary companies, Hibumas Sdn Bhd and Penumilek Sdn Bhd, who were named as the Second and Third Defendants respectively. The Court hearing has been postponed to 1 November 2004.

**B12. Dividend**

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

**Dividends Paid / Declared**

Dividends paid and declared for financial year 2002 and up to the date of this report :-

Financial Year	Type	Rate	Payment Date
2002	Interim dividend	4 sen tax exempt & 5 sen less 28% income tax	19 September 2002
2002	Special dividend	25 sen tax exempt	16 December 2002
2002	Final dividend	5 sen tax exempt & 7.5 sen less 28% income tax	29 May 2003
2003	Interim dividend	4 sen tax exempt & 5 sen less 28% income tax	26 September 2003

**B13. Earnings per Share**

The basic earnings per share has been calculated by dividing the Group's net profit for each period by the 490,623,124 ordinary shares of PPB in issue during the period.

The diluted earnings per share has been calculated by dividing the Group's net profit for each period, adjusted for the after tax effect on income that would result from the conversion of ordinary shares under options granted by a subsidiary company, PPB Oil Palms Berhad, pursuant to its ESOS, by the 490,623,124 ordinary shares of PPB in issue during the period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 SEPTEMBER 2003	2002	9 months ended 30 SEPTEMBER 2003	2002
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	102,848	78,206	271,529	170,700
Group's share of the effect of potential dilution in PPB Oil Palms Berhad's net profit for the period	(198)	(173)	(346)	(346)
Adjusted net profit for the period	<u>102,650</u>	<u>78,033</u>	<u>271,183</u>	<u>170,354</u>

**Kuala Lumpur**  
**21 November 2003**

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

# ANNOUNCEMENTS **2003**

10 july

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PPB's 76% indirect subsidiary, Tri-Electro Sdn Bhd (TESB), disposed of its stocks to Mr Chan Siew Pun, a director of TESB, for a total cash consideration of RM190,000/-.

04 august

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TESB which has ceased business operations as supplier of electrical and mechanical transmission components since 10 July 2003, undertakes members' voluntary liquidation.

21 august

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Press release on the Lugouqiao Sewage Treatment Plant project in Beijing, China.

25 august

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Release of 2nd Quarter Report for the period ended 30 June 2003. An Interim Dividend of 9 sen per share comprising 4 sen tax exempt and 5 sen less 28% tax was declared.