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# INVESTOR UPDATE

2nd QUARTER REPORT 30 June 2006



PPB GROUP BERHAD

**PPB HARTABINA SDN BHD**  
Masera Bukit Segar, Cheras



*Type B Bungalow*



*Rustic concept showhouse*

**PPB Hartabina Sdn Bhd (PPBH) is a wholly-owned subsidiary of PPB Group Bhd incorporated in August 1972. Its core operations are residential and commercial development; and property ownership and management.**

PPBH plays a significant role in the residential and commercial development at Taman Segar and Bukit Segar in Cheras. PPBH owns and manages a shopping complex, Cheras Leisure Mall and an office building, Cheras Plaza. In 1995, PPBH completed the development of 602 units of low to medium cost apartments in 11 blocks and another 576 units of low cost apartments between 2003 and 2004 in Taman Segar, Cheras. Then in 2004, PPBH completed the development of 299 semi-detached houses and bungalows in Bukit Segar. Segar Courts, a 78-unit apartment block, is another of PPBH's development. The good response to the developments in Taman Segar has spurred PPBH to develop Masera Bukit Segar which will be the last and most exclusive development of PPBH.

**Masera Bukit Segar**

Masera Bukit Segar, located on the highest point of Bukit Segar off Jalan Cheras, enjoys fabulous view of the city and surrounding suburbs. The development comprises 38 units of 2 1/2 storey luxury bungalows set in a private gated community covering a total area of 21 acres of freehold land. The development will be undertaken in two phases. 25 units will be built under Phase 1 followed by 13 units under Phase 2.

These premium homes, Masera which translates to "golden era" in Bahasa Malaysia is distinctive as it is the only such high end development in Cheras.

# PPB HARTABINA SDN BHD

## Masera Bukit Segar, Cheras

# FEATURE article

The price of the bungalows for Phase 1 ranges from RM3,680,000 to RM4,710,000 and land size varies from 10,000 sq ft to 19,000 sq ft whilst built-up areas are between 6,900 sq ft to 7,500 sq ft. Masera Bukit Segar bungalows are equipped with high quality finishes including :-

- Plaster ceiling
- Quality flooring, walls and bathrooms
- Fully fitted dry and wet kitchens with cabinets, fixtures and equipment, including ovens, dishwasher and wine fridge
- Home automation and security alarm systems
- Air conditioning system with equipment
- Central vacuum system
- Solar hot water system

Masera Bukit Segar provides high-end living amidst lush greenery and easy access to and from the city. The vicinity is well served by good amenities and facilities such as recreational parks, hospital, schools, colleges as well as the busy neighbourhood shopping centre, Cheras Leisure Mall.

Masera Bukit Segar bungalows incorporate contemporary and tropical themes with eco-friendly and elegant architectural features; luxurious built-up sizes and contemporary designer interiors. Masera Bukit Segar offers three (3) different designs as follows :-

**Type A** garden villas have built-up areas of 7,465 sq ft and are ideal for those who enjoy entertaining as the kitchens are integrated with the gardens.

**Type B** villas offer unhindered beauty of the natural surroundings and the guest room is built within a semi private area with its own balcony. The built-up areas are between 7,219 sq ft and 7,307 sq ft.

**Type C** villas with built-up areas of 6,963 sq ft are designed with concerns for the elderly as they are equipped with a private lift.

The Phase 1 bungalows will be launched on 12 September 2006 and are expected to be completed by December 2007. The estimated total sales value for Phase 1 is RM 102 million and RM 60 million for Phase 2.



*Contemporary concept showhouse*



*Oriental concept showhouse*

## FRENCH FILM FESTIVAL at GSC International Screens

The French Film Festival 2006 was held in conjunction with the French Art Festival organised by the Embassy of France and Alliance Francaise. PPB's 54.2% indirect subsidiary, Golden Screen Cinemas Sdn Bhd (GSC), is the official venue for the Festival for six consecutive years and for this year it was held at GSC International Screens at 1 Utama (New Wing) and Mid Valley, Kuala Lumpur from 1 to 11 June 2006 with the screening of ten (10) titles whilst six (6) titles were showcased at GSC International Screens at Gurney Plaza, Penang from 15 to 21 June 2006.

On 24 May 2006, Ms Koh Mei Lee, Chief Executive of GSC, started the opening ceremony of the Festival at GSC Mid Valley with a speech followed by Mrs Catherine Feuillet-Decourcy, the Cultural, Scientific and Co-operation Counsellor of the French Embassy. Members of the media were invited to the opening ceremony and were treated to "Merry Christmas", a drama movie nominated for Best Foreign Film at the Oscars 2006.

At GSC, 1-Utama (New Wing), the Festival was opened on 31 May 2006 with a special screening of "Merry Christmas" attended by Gen (R) Tan Sri Dato Mohd Ghazali Seth, Chairman of GSC; Mr Irving Chee, General Manager of GSC as well as Ambassadors from France, Austria, Hungary, Romania and Algeria.

At the northern region, YB Cheong Chee Gooi, representative of Chief Minister of Penang, launched the second leg of the French Film Festival at GSC Gurney Plaza. Among those present at the event were Ms Koh Mei Lee, Dato' Lubna Jumabhoy, Honorary Consul General of France in Penang; Dato' Renji Sathiah, President of Alliance Francaise and some 100 over guests.

For the 2006 edition of the French Film Festival, "The Beat that My Heart Skipped" which received the Best Film Award during the French Film Awards was also featured together with "The Emperor's Journey", "Cash Truck", "Viper in the Fist", "Violences des Echanges en Milieu Tempere", "Saint-Ange", "Men's Heart", "How Interesting" and "The Great Challenge".



*GSC's chairman, Gen (R) Tan Sri Dato' Mohd Ghazali Seth giving the opening speech at 1-Utama.*



*Guests at the special screening of "Merry Christmas" at Gurney Plaza, Penang.*

## SONGKRAN FESTIVAL at PPB's cane plantation

Every year during the Songkran Festival which starts on 13 April and lasts for 3 days, the management of PPB's cane division at Chuping will organise a day of festivity for its seasonal workers who are mainly Thai hired for cane harvesting. Like every other year, the Songkran Festival falls during the cane harvesting season.

On 13 April 2006, the management staff of PPB's cane division together with its contractors organised activities such as soccer, hand wrestling, tug-of-war etc. at the plantation. Throughout the day, food and drinks were served to the workers. There were much merriment with dancing and karaoke singing at the plantation. At the end of the day, prizes were given away for the lucky draws and to the best foreign worker.

Songkran Festival also known as Water Festival is a Thai traditional New Year. Songkran which means "move" or "change place" believes that water will wash away bad luck and for this reason, during the festival, the celebrants both young and old, will joyfully splash water on each other. The Songkran tradition is recognised as a valuable custom for the Thai community.



*Tug-of-War*



*Workers enjoying a game of soccer*

HAPPENINGS

## MUSTIKA'S BAKERY PROJECT at Central Kalimantan

PT Mustika Sembuluh (Mustika), a 90% indirect subsidiary of PPB Group, has set up an in-house bakery at its oil palm estate in Central Kalimantan, Indonesia. The bakery was set up as a social project run by the estate management with the objective of supplying high protein food at affordable prices to the staff, workers and local communities in the vicinity of the Group's oil palm project. Mustika utilises the in-house bakery expertise from FFM Berhad, a 100% subsidiary of PPB.

Mustika's bakery was commissioned on 29 June 2006 with the support from several staff of FFM who successfully conducted and supervised the 10-day trial run assisted by 8 local workers on an 8-hour shift. Among the items produced were sandwich breads, plain/sweet buns, butter cakes and butter fruit cakes as well as dried noodles on a trial basis.

A marketing and distribution network has been established within the Group's estates whereby orders from its own estates as well as from neighbouring estates are received.



*Mustika's bakery set up as a social project*



*High protein bread ready for distribution*

# PPB SHARE & KUALA LUMPUR COMPOSITE INDEX PERFORMANCE

for 2nd quarter 2006

## SHARE analysis

	2nd Q 2006	1st Q 2006	% change
<b>PPB share price</b>			
Closing price (high)	4.34	4.30	0.93%
Closing price (low)	3.86	4.00	-3.50%
Month end closing price	4.00	4.30	-6.98%
Weighted share price	4.00	4.13	-3.15%
Market capitalization (RM' million)	4,742.00	5,097.65	-6.98%

### PPB share volume

Daily volume (high)	1,578,700	1,817,400	-13.13%
Daily volume (low)	8,000	25,200	-68.25%
Average daily volume	637,061	581,195	9.61%

### Kuala Lumpur Composite Index (KLCI)

KLCI closing (high)	966.88	932.98	3.63%
KLCI closing (low)	886.48	892.85	-0.71%
KLCI month end closing	914.69	926.63	-1.29%

### KLCI volume

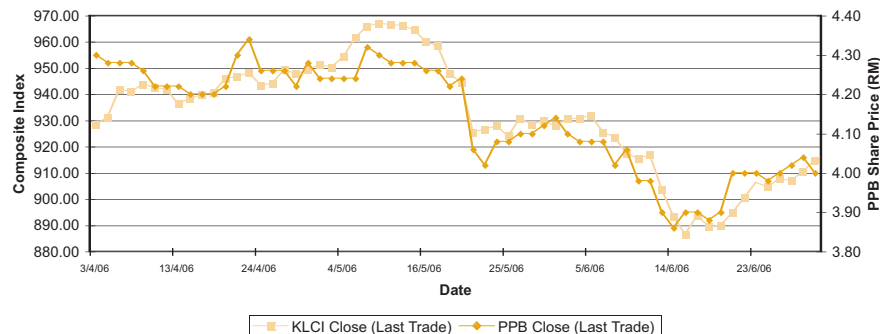
Daily Volume (high)	239,605,904	194,484,304	23.20%
Daily Volume (low)	51,363,900	21,875,900	>100%
Average Daily Volume	130,103,794	98,077,344	32.65%

A renewed rally in regional markets in April drove the KLCI to a 6-year high of 970.46 points in early May. However, regional and global markets eased on concerns of potentially excessive credit tightening in the US which subsequently caused the KLCI to touch its year low of 883.2 points in mid-June. Investor sentiments improved towards the end of June which led the KLCI to close at 914.69 on 30 June 2006, down 1.3% from the preceding quarter.

Reflecting the lower KLCI index, PPB shares closed 30 sen down at RM4.00 on the last trading day of the quarter compared with RM4.30 in the preceding quarter. As at 30 June 2006, the market capitalization of PPB shares stood at RM4.742 billion whilst PPB's daily average volume increased by 9.61% to 637,061 shares.

On 23 August 2006, being the date of PPB's 6 months financial results announcement, PPB share price closed at RM4.64.

KLCI & PPB Share Price for 2nd Q 2006





## **PPB GROUP BERHAD'S FINANCIAL RESULTS**

for the six months ended 30 June 2006

### **OVERVIEW OF RESULTS**

- The unaudited Group profit before tax increased to RM373.6 million, up 23% compared with RM304.7 million posted for the same period last year due to higher contribution from grains trading, flour and feed milling division; improved profits from the plantation division and gains recorded from the disposal of an associated company engaged in utilities.
- Group revenue reduced marginally by 2% to RM5.223 billion compared with the same period last year due to lower edible oils prices realized and lower sales from livestock farming division as a result of the bird flu outbreak in February 2006.
- Profit attributable to shareholders rose by 29% to RM242.9 million from RM188.6 million equivalent to earnings per share of 20.49 sen compared with 15.91 sen for the corresponding period.
- Net assets per share appreciated by 4% to RM4.40 from RM4.23 as at 31 December 2005.
- Equity attributable to PPB shareholders remains healthy and strong at RM4.372 billion, 4% above RM4.215 billion as at 31 December 2005.
- The Group's core businesses continue to generate good cash flows, contributing to a net cash surplus of RM58.3 million.

### **REVIEW OF OPERATIONS**

For the six months ended 30 June 2006, grains trading, flour and feed milling operations reported higher profits of RM46.8 million, up RM28.9 million from the previous corresponding period to account for 21.7% of the total group operating profit mainly due to improved sales volume and better margins. The sugar operations however suffered a loss of RM442,000 due to high raw sugar prices. Edible oils refining and trading recorded lower profits of RM56.3 million representing a 5.8% decrease due to lower refining margins. Benefiting from the Group's fully integrated oil palm operations, lower profits from the refining operations were well compensated by the oil palm plantation division, where profits increased substantially by 21.5% to RM82.5 million due to foreign exchange translation gains and higher crop production. FFB production increased by 5.9% to 673,249 tonnes compared with the previous corresponding period. The waste management and utilities division's operating profit improved by RM2.9 million to report a profit of RM1.2 million compared with a loss of RM1.7 million in the same period last year. Film exhibition and distribution division achieved 7.7% increase in operating profits due to contribution from its latest multiplex at 1 Utama (New Wing) and a reasonably strong lineup of blockbuster films during the first half of 2006. The associated company engaged in commodity trading registered higher profits with favorable trading conditions.

### **DIVIDENDS**

PPB's Board of Directors declared an interim dividend of 5 sen per share less tax payable on 28 September 2006.

### **PROSPECTS FOR THE YEAR**

The Group expects contribution from the oil palm plantation division to be better assuming CPO prices and Indonesian Rupiah/USD exchange rates remain at current levels whilst crop production is projected to be higher for 2006. Sugar refining operations are likely to record lower profits in 2006 with the prevailing high raw sugar prices. The Group's other business operations are expected to maintain their profits as in the previous year. Overall, it is envisaged that Group results for 2006 will be better.

# GROUP FINANCIAL HIGHLIGHTS

(the figures have not been audited)

Financial period ended (All figures in RM million)	30.6.06	6 months 30.6.05 (Restated)	Change %	12 months 31.12.05 (Restated)
<b>INCOME STATEMENT</b>				
Revenue	5,223	5,317	(1.8)	10,688
Profit from operations	209	242	(13.6)	517
Profit before taxation	374	305	22.6	609
Profit for the period	320	226	41.6	468
Profit attributable to Shareholders of the Company	243	189	28.6	395
<b>BALANCE SHEET</b>				
Non-current assets	4,053	3,816	6.2	3,910
<i>Current assets</i>				
Cash and bank deposits	1,142	652	75.2	753
Others	1,982	1,730	14.6	1,706
Total current assets	3,124	2,382	31.2	2,459
<b>Total assets</b>	<b>7,177</b>	<b>6,198</b>	<b>15.8</b>	<b>6,369</b>
<i>Equity</i>				
Share capital	1,186	1,186	0.0	1,186
Reserves	3,186	2,872	10.9	3,029
Equity attributable to Shareholders of the Company	4,372	4,058	7.7	4,215
Minority interest	842	790	6.6	804
Total equity	5,214	4,848	7.5	5,019
<i>Non-current liabilities</i>				
Bank borrowings	505	165	>100.0	149
Others	314	322	(2.5)	332
Total non-current liabilities	819	487	68.2	481
<i>Current liabilities</i>				
Bank borrowings	578	307	88.3	367
Others	566	556	1.8	502
Total current liabilities	1,144	863	32.6	869
Total liabilities	1,963	1,350	45.4	1,350
<b>Total equity and liabilities</b>	<b>7,177</b>	<b>6,198</b>	<b>15.8</b>	<b>6,369</b>
<b>RATIOS</b>				
Return on net assets before taxation	(%) 7.2	6.3		12.1
Return on net assets after taxation	(%) 6.1	4.7		9.3
Return on equity attributable to Shareholders of the Company	(%) 5.6	4.7		9.4
Earnings per share	(sen) 20.5	15.9		33.3
Interest coverage	(times) 34.0	40.6		40.3
Current ratio	(times) 2.7	2.8		2.8
Total borrowings/Equity	(%) 20.8	9.7		10.3
Long term borrowings/Equity	(%) 9.7	3.4		3.0
Net assets per share	(RM) 4.4	4.1		4.2
Net assets per share attributable to Shareholders of the Company	(RM) 3.7	3.4		3.6
Net dividend per share	(sen) 3.6	3.6		14.4
<b>STOCK MARKET INFORMATION</b>				
Share price	(RM) 4.00	3.72		4.16
Market capitalisation	(RM million) 4,744	4,412		4,934
PE ratio	(times) 9.8	11.7		12.5

- 27 April** PGEO Group Sdn Bhd, a 100% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in PGEO Marketing Sdn Bhd ("PGEO Marketing") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM2.00. PGEO Marketing will undertake the marketing and trading of edible oils.
- 28 April** FFM Berhad, a wholly-owned subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in Mantap Hijau Sdn Bhd ("Mantap Hijau") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM1,750/-. Mantap Hijau will provide manpower to manage and operate a meat processing plant at Pulau Indah, Selangor which is scheduled for completion by end 2006.
- 3 May** Chemical Waste Management Sdn Bhd, an indirect subsidiary of PPB, had on 28 April 2006 completed the disposal of its entire 25% equity interest in Konsortium Abass Sdn Bhd 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.
- 23 May** Release of 1st Quarter Report for the period ended 31 March 2006.
- 15 June** PGEO Group Sdn Bhd, a 100% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in Saga Venture Sdn Bhd ("Saga Venture") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM1,714/-. Saga Venture will undertake the manufacture of specialty fats at Sandakan, Sabah.

# CONDENSED CONSOLIDATED INCOME STATEMENTS

for the period ended 30 June 2006

Quarterly  
report

(The figures have not been audited)	Individual Quarter 3 months ended 30 JUNE		Cumulative Quarter 6 months ended 30 JUNE	
	2006	(Restated) 2005	2006	(Restated) 2005
	RM'000	RM'000	RM'000	RM'000
Revenue	2,541,901	2,732,364	5,223,353	5,316,786
Operating expenses	(2,445,909)	(2,630,775)	(5,035,824)	(5,082,126)
Other operating income	385	4,080	21,804	7,480
Profit from operations	96,377	105,669	209,333	242,140
Net profit from investing activities	118,499	47,332	122,025	54,191
Share of associated companies' profits less losses	25,352	6,824	53,360	16,200
Share of joint ventures' profits less losses	65	(37)	218	(159)
Finance costs	(5,790)	(3,889)	(11,318)	(7,700)
Profit before taxation	234,503	155,899	373,618	304,672
Taxation	(20,890)	(38,982)	(53,775)	(79,024)
Profit for the period	213,613	116,917	319,843	225,648
Attributable to :				
Shareholders of the Company	155,338	101,640	242,958	188,621
Minority interests	58,275	15,277	76,885	37,027
Profit for the period	213,613	116,917	319,843	225,648
Basic earnings per ordinary share (sen)	13.10	8.57	20.49	15.91

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)

	As at 30-June-06 RM'000	As at 31-Dec-05 RM'000 (Restated)
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	1,868,563	1,791,346
Investment properties	196,145	202,493
Biological assets	837,610	783,063
Goodwill on consolidation	32,700	32,413
Intangible assets	3,284	3,365
Land held for property development	2,243	437
Investment in associated companies	653,592	633,826
Interests in joint ventures	39,594	40,151
Long term investments	407,755	413,442
Deferred tax assets	11,474	9,827
	<u>4,052,960</u>	<u>3,910,363</u>
<b>Current Assets</b>		
Inventories	904,715	893,729
Biological assets	43,159	43,456
Intangible assets	9,778	10,701
Property development costs	50,767	43,696
Receivables	971,582	714,529
Cash, bank balances and deposits	1,141,579	752,839
	<u>3,121,580</u>	<u>2,458,950</u>
Non-current assets held for sale	2,682	-
	<u>3,124,262</u>	<u>2,458,950</u>
<b>Total assets</b>	<u>7,177,222</u>	<u>6,369,313</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,185,500	1,185,500
Reserves	3,186,197	3,029,653
Equity attributable to shareholders of the Company	4,371,697	4,215,153
Minority interests	842,562	803,656
<b>Total equity</b>	<u>5,214,259</u>	<u>5,018,809</u>
<b>Non-current Liabilities</b>		
Long term borrowings	505,023	149,438
Negative goodwill	-	23,535
Deferred tax liabilities	314,419	308,567
	<u>819,442</u>	<u>481,540</u>
<b>Current Liabilities</b>		
Payables	536,193	478,875
Short term borrowings	578,303	367,081
Taxation	29,025	23,008
	<u>1,143,521</u>	<u>868,964</u>
<b>Total liabilities</b>	<u>1,962,963</u>	<u>1,350,504</u>
<b>Total equity and liabilities</b>	<u>7,177,222</u>	<u>6,369,313</u>
Net assets per share (sen)	<u>440</u>	<u>423</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2006

Quarterly  
report

	Non-distributable			Distributable			Attributable to shareholders of the Company RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Retained profits RM'000			
<b>6 months ended 30 June 2006</b>									
As previously stated	1,185,500	6,715	162,180	(15,590)	162,910	2,713,438	4,215,153	803,656	5,018,809
Effects of adopting FRS 3	-	-	-	-	-	48,277	48,277	397	48,674
At 1 January 2006 (restated)	1,185,500	6,715	162,180	(15,590)	162,910	2,761,715	4,263,430	804,053	5,067,483
Net (losses)/gains recognised directly to equity	-	-	-	(9,362)	2,736	(31)	(6,657)	152	(6,505)
Profit for the period	-	-	-	-	-	242,958	242,958	76,885	319,843
Total recognised income and expenses for the period	-	-	-	(9,362)	2,736	242,927	236,301	77,037	313,338
Transfer of reserves	-	-	(914)	-	3,520	(2,606)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	(1,054)	(1,054)
Capital reduction by a subsidiary	-	-	-	-	-	-	-	(2,722)	(2,722)
Dividends	-	-	-	-	-	(128,034)	(128,034)	(34,752)	(162,786)
At 30 June 2006	1,185,500	6,715	161,266	(24,952)	169,166	2,874,002	4,371,697	842,562	5,214,259
<b>6 months ended 30 June 2005</b>									
At 1 January 2005	592,750	526,874	164,674	31,024	152,282	2,492,484	3,960,088	779,395	4,739,483
Net (losses)/gains recognised directly to equity	-	-	-	(7,134)	6,528	(617)	(1,223)	(4,381)	(5,604)
Profit for the period	-	-	-	-	-	188,621	188,621	37,027	225,648
Total recognised income and expenses for the period	-	-	-	(7,134)	6,528	188,004	187,398	32,646	220,044
Transfer of reserves	-	-	(1,072)	(30,373)	581	30,864	-	-	-
Bonus issue	592,750	(520,000)	-	-	-	(72,750)	-	-	-
Bonus issue expenses	-	(112)	-	-	-	-	(112)	-	(112)
Shares issued to minority interest	-	-	-	-	-	-	-	1,069	1,069
Acquisition of subsidiaries	-	-	-	-	-	-	-	(3,588)	(3,588)
Dividends	-	-	-	-	-	(89,505)	(89,505)	(19,908)	(109,413)
At 30 June 2005	1,185,500	6,762	163,602	(6,483)	159,391	2,549,097	4,057,869	789,614	4,847,483

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)

	6 months ended 30 June	
	2006	2005
	RM'000	RM'000
		(Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	373,618	304,672
Adjustments :-		
Non-cash items	(75,667)	45,561
Non-operating items	(23,297)	(20,418)
Operating profit before working capital changes	274,654	329,815
Working capital changes		
Net change in current assets	(275,496)	101,170
Net change in current liabilities	70,754	(29,463)
Cash generated from operations	69,912	401,522
Tax paid	(51,804)	(63,007)
<b>Net cash generated from operating activities</b>	<b>18,108</b>	<b>338,515</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment, biological assets and other assets	(213,401)	(152,932)
Proceeds from disposal of property, plant and equipment	4,105	3,392
Purchase of investments	(6,731)	(5,569)
Proceeds from sale of investments	145,426	58,206
Repayment from/(advances to) associated companies and joint ventures	1,651	(7,718)
Dividends received from investments	32,609	28,382
Interest received	10,205	7,342
Other investing activities	(1,628)	(2,391)
<b>Net cash used in investing activities</b>	<b>(27,764)</b>	<b>(71,288)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Shares issued to minority shareholders of subsidiary companies	-	1,069
Bank borrowings	570,560	(29,970)
Interest paid	(13,479)	(7,508)
Dividends paid	(162,787)	(109,413)
Other financing activities	(5,305)	(5,570)
<b>Net cash generated from / (used in) financing activities</b>	<b>388,989</b>	<b>(151,392)</b>
<b>Net increase in cash and cash equivalents</b>	<b>379,333</b>	<b>115,835</b>
Cash and cash equivalents at 1 January	735,828	519,858
Effect of exchange rate changes	10,582	(941)
<b>Cash and cash equivalents at 30 June</b>	<b>1,125,743</b>	<b>634,752</b>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)

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

The interim financial statements of the Group have been prepared in accordance with the requirements of FRS 134 - Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements for the financial year ended 31 December 2005, except for the adoption of the following new and revised Financial Reporting Standards ("FRS") that are effective for financial periods beginning on or after 1 January 2006 :-

FRS 3 Business Combinations	FRS 127 Consolidated and Separate Financial Statements
FRS 5 Non-current Assets Held for Sale and Discontinued Operations	FRS 128 Investments in Associates
FRS 101 Presentation of Financial Statements	FRS 131 Interests in Joint Ventures
FRS 102 Inventories	FRS 132 Financial Instruments: Disclosure and Presentation
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	FRS 133 Earnings Per Share
FRS 110 Events after the Balance Sheet Date	FRS 136 Impairment of Assets
FRS 116 Property, Plant and Equipment	FRS 138 Intangible Assets
FRS 121 The Effects of Changes in Foreign Exchange Rates	FRS 140 Investment Property

The adoption of the above FRS does not have significant financial impact on the Group except for FRS 3, FRS 5 and FRS 101 disclosed as follows:

**a) FRS 3 : Business Combinations**

The adoption of the new FRS 3 has resulted in a change in the accounting policy relating to Goodwill and Negative Goodwill on consolidation and Premium or Discount on acquisition of associated companies.

***Goodwill on consolidation***

Previously, Goodwill on consolidation of a subsidiary company is capitalised and amortised on a straight-line basis over its estimated useful life or 25 years, whichever is shorter. With the adoption of FRS 3, goodwill will now be carried at cost less impairment losses. Goodwill will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment loss is recognised in the income statement and subsequent reversal is not allowed.

***Negative Goodwill on consolidation***

Negative Goodwill on consolidation is previously either taken to income statement as and when they arise or retained in balance sheet and credited to income statement over a suitable period, depending on the particular circumstances which gave rise to it. With the adoption of FRS 3, Negative Goodwill is now taken to income statement as and when they arise.

***Premium and Discount in Associated companies***

Previously, Premium & Discount on acquisition of associated companies are retained as part of investment cost. With the adoption of FRS 3, Premium will be carried at cost subject to yearly impairment test while Discount is taken to income statement on acquisition.



The above changes in accounting policy have been accounted for prospectively and in accordance with the transitional provisions of FRS 3, the Group has taken Negative Goodwill on consolidation and Discount in associated companies as at 31 December 2005 to retained profits as follows :-

<u>Balance Sheets</u>	As previously reported RM'000	Effect RM'000	As restated RM'000
Investment in associates	633,826	25,139	658,965
Retained profit brought forward	2,713,438	48,277	2,761,715
Minority interests	803,656	397	804,053
Negative Goodwill on consolidation	23,535	(23,535)	-

The Group has ceased amortisation of its Goodwill and Negative Goodwill on consolidation and has reduced the total amortisation charges by RM470,000 for the 6 months ended 30 June 2006.

b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

The non-current assets held for sale comprise certain landed properties, including leasehold properties. In accordance with FRS 5, these assets are recorded at the lower of its carrying amount or its fair value less costs to sell.

The Group has ceased to amortise the abovementioned properties and the effect on the Group's financial statements is insignificant.

c) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the minority interests and other disclosures in the income statement, balance sheet and statement of changes in equity.

In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period as oppose to as a deduction before arriving at profit attributable to shareholders.

While in the consolidated balance sheet, minority interests are now presented within total equity. Similarly, the movement of the minority interests for the reported period is presented in the consolidated statement of changes in equity.

Share of associated results is now reported net of tax as a single line item above the Group profit before taxation.

The revised FRS 101 has also give rise to new classes of assets and liabilities which are required to be reported on the face of the consolidated balance sheet. The comparatives are restated to conform with the new presentation as follows :-

	As previously reported RM'000	Effect RM'000	As restated RM'000
<b><u>Income Statements</u></b>			
Share of associated companies' profits less losses	26,703	(10,503)	16,200
Profit before taxation	315,175	(10,503)	304,672
Taxation	89,527	(10,503)	79,024
<b><u>Balance Sheets</u></b>			
Property, plant and equipment	2,780,267	(988,921)	1,791,346
Investment properties	-	202,493	202,493
Biological assets (Long term)	-	783,063	783,063
Intangible assets (Long term)	-	3,365	3,365
Inventories	947,886	(54,157)	893,729
Biological assets (Current)	-	43,456	43,456
Intangible assets (Current)	-	10,701	10,701

**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 materially 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 an unusual nature, size or incidence that affect the assets, liabilities, equity, net income and cash flows of the Group during the current period under review.

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

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

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

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

**A7. Dividends paid**

	Individual Quarter 3 months ended 30-Jun-2006 RM'000	Cumulative Quarter 6 months ended 30-Jun-2006 RM'000
<u>Dividends paid on ordinary shares</u>		
2005 : Final dividend - 15 sen less tax	128,034	128,034

**A8. Segmental reporting**

Segmental information in respect of the Group's business segments for the period ended 30 June 2006

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	Livestock farming	Packaging
<b>REVENUE</b>						
External sales	388,370	428,424	3,909,977	62,224	25,599	60,309
Inter-segment sales	-	32,945	56,616	225,354	4,954	9,286
Total revenue	388,370	461,369	3,966,593	287,578	30,553	69,595
<b>RESULT</b>						
Segment operating results	(442)	46,783	56,324	82,450	(954)	4,221
Unallocated corporate expense						
Profit from operations						
Investing activities						
Finance costs						
Share of associated companies' profits less losses	965	3,146	40,894	786	-	-
Share of joint ventures' profits less losses	-	-	-	-	-	-
Profit before taxation						

**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 15 June 2006, PPBOP completed the acquisition of 100% equity interest in Newday Holdings Limited ("Newday"), a limited company incorporated in Labuan. The principal activity of Newday is investment holding.
- (b) Chemquest Management Services Sdn Bhd, a wholly-owned indirect subsidiary of PPB 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 of PPB were placed under Members' Voluntary Winding-up on 27 September 2005. The companies were deemed dissolved on 31 May 2006.

Environmental engineering, waste management and utilities	Film exhibition and distribution	Property investment and development	Chemicals trading and manufacturing	Other operations	Elimination	Consolidated
43,895	61,365	21,491	46,259	175,440	-	5,223,353
-	-	588	466	22,977	(353,186)	-
43,895	61,365	22,079	46,725	198,417	(353,186)	5,223,353
1,184	8,500	6,063	2,540	9,194	367	216,230
						(6,897)
						209,333
						122,025
						(11,318)
2,038	408	1,927	(605)	3,801	-	53,360
218	-	-	-	-	-	218
						<u>373,618</u>

- (d) Tri-Electro Sdn Bhd, a 76% indirect subsidiary of PPB, was placed under Members' Voluntary Winding-up on 4 August 2003. The liquidation is still in progress.
- (e) Jasa Karya Sdn Bhd, 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.
- (f) Film Allied Services Sdn Bhd, an indirect wholly-owned subsidiary company of PPB, has been placed under Members' Voluntary Winding-up on 11 October 2004. The liquidation is still in progress.
- (g) Leisure Bowl Centres Sdn Bhd, an indirect wholly-owned subsidiary company of PPB, has been placed under Members' Voluntary Winding-up on 22 September 2004. The liquidation is still in progress.
- (h) On 31 October 2005, Chemquest Waste Management Sdn Bhd, presently a 100% indirect subsidiary of PPB, disposed of its entire 25% equity interest in Konsortium Abass Sdn Bhd 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 has been completed on 28 April 2006.
- (i) 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.
- (j) On 24 February 2006, Fedflour Trading Company Limited, an indirect wholly-owned subsidiary of PPB, was placed under Members' Voluntary Winding-up pursuant to Section 116B of the Companies Ordinances (Chapter 32), Hong Kong as it had been inactive for many years.

- (k) On 27 April 2006, PGEO Group Sdn Bhd, a 100% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in PGEO Marketing Sdn Bhd ("PGEO Marketing") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM2.00. PGEO Marketing will undertake the marketing and trading of edible oils.
- (l) On 28 April 2006, FFM Berhad, a wholly-owned subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in Mantap Hijau Sdn Bhd ("Mantap Hijau") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM1,750. Mantap Hijau will provide manpower to manage and operate a meat processing plant at Pulau Indah, Selangor which is scheduled for completion by end 2006.
- (m) On 15 June 2006, PGEO Group Sdn Bhd, a 100% indirect subsidiary of PPB, acquired the entire issued and paid-up share capital of RM2.00 in Saga Venture Sdn Bhd ("Saga Venture") comprising 2 ordinary shares of RM1.00 each, for a total cash consideration of RM1,714. Saga Venture will undertake the manufacture of specialty fats at Sandakan, Sabah.

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

There were no changes in guarantees issued by the Group in respect of credit facilities granted by financial institutions to associated companies as at 30 June 2006.

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

**B. BMSB Listing Requirements (Part A of Appendix 9B)**

**B1. Review of Performance for the current quarter and financial year-to-date**

The Group revenue of RM5.223 billion for the period ended 30 June 2006 is 2% lower when compared with RM5.317 billion in the corresponding period last year. This is mainly due to lower edible oils prices realised and lower sales from the livestock farming division as a result of the bird flu outbreak in February 2006.

Group profit before tax of RM374 million was 23% higher compared with RM305 million in the same period last year. The grains trading, flour and feed milling division recorded higher profits mainly due to improved sales volume and better margins. The plantation division registered higher profits. The sugar refining division however suffered a loss due to high raw sugar prices. The associated company engaged in commodity trading achieved higher profits whilst the gain from the disposal of an associated company engaged in utilities contributed to an increase in the profit for the current period.

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

The Group profit before tax for the quarter under review of RM235 million was 69% higher compared with RM139 million for the preceding quarter mainly due to profit from the disposal of an associated company and higher refining margins in the edible oils refining division.

**B3. Prospects for current financial year**

Crop production from the oil palm plantation division is projected to be higher for the current financial year. However operating and financing costs are also expected to increase. Assuming CPO prices and the Indonesian Rupiah/USD exchange rates remain at current levels, profit contribution from the oil palm plantation division is expected to be higher. Sugar refining operations are likely to record lower profits in 2006 due to high raw sugar prices. The Group's other business operations are expected to maintain their profits as in the previous year. Overall, it is envisaged that the Group results for the year will be better.

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

Not applicable.

B5. Taxation	Individual Quarter 3 months ended 30-Jun-2006 RM'000	Cumulative Quarter 6 months ended 30-Jun-2006 RM'000
Taxation comprises:-		
Malaysian taxation based on profit for the period:-		
Current	20,762	46,423
Deferred	2,372	3,543
	23,134	49,966
Foreign taxation		
Current	365	2,318
Deferred	(1,753)	1,385
	21,746	53,669
(Over)/under provision		
Current	697	776
Deferred	(1,553)	(670)
	20,890	53,775

The effective tax rate is lower than the average statutory rate for the period mainly due to gain on sale of investments, tax exempt income and utilisation of reinvestment allowance by certain subsidiaries.

**B6. Profit / Loss on sale of unquoted investments and / or properties**

There was no sale of unquoted investments and sale of properties for the current financial period-to-date under review.

**B7. Quoted securities**

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

	Individual Quarter 3 months ended 30-Jun-2006 RM'000	Cumulative Quarter 6 months ended 30-Jun-2006 RM'000
Total purchases	5,390	5,390
Total proceeds from disposals	7,584	13,426
Profit on disposal	1,310	1,682

(b) Total investments in quoted securities as at 30 June 2006 were as follows:-

	RM'000
At cost	397,866
At book value	393,478
At market value	656,584

**B8. Status of corporate proposals**

On 13 October 2004, the Company entered into two separate conditional Shares Sale 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. To-date, certain conditions precedent have not been fulfilled and a second extension has been given to extend the prescribed period for the fulfillment/satisfaction of the conditions precedent for another 6 months commencing on 13 August 2006 and expiring on 12 February 2007.

**B9. Group borrowings**

Total Group borrowings as at 30 June 2006 were as follows:-

	RM'000	RM'000	RM'000
	Total	Secured	Unsecured
Long term bank loans	7,179	-	7,179
Long term bank loans (USD)	477,685	-	477,685
Long term bank loans (CNY)	22,519	-	22,519
Hire purchase liabilities	355	355	-
Repayments due within the next 12 months	(2,715)	(281)	(2,434)
	<u>505,023</u>	<u>74</u>	<u>504,949</u>
<u>Short term bank borrowings</u>			
Bills payable	379,105	-	379,105
Short term loans	158,220	-	158,220
Short term loans (USD)	35,417	-	35,417
Current portion of long term loans	2,434	-	2,434
Hire purchase liabilities	281	281	-
	<u>575,457</u>	<u>281</u>	<u>575,176</u>
Bank overdrafts	2,846	-	2,846
	<u>578,303</u>	<u>281</u>	<u>578,022</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 17 August 2006, the Group has hedged outstanding foreign currency contracts of USD344.100 million equivalent to RM1.260 billion. 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 futures 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.

As at 17 August 2006, the Group's outstanding CPO futures contracts that were entered into as hedges on sales amounted to RM8.755 million in notional value. These outstanding contracts are due to mature within the next four months.

**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 and the date of hearing has been postponed to 21 November 2006 for pre-trial management.

**B12. Dividend**

The Board of Directors is pleased to declare an interim dividend for the financial year ending 31 December 2006 of 5 sen per share less 28% income tax (2005 : 5 sen less 28% income tax) payable on Thursday, 28 September 2006.

**Dividends payment/entitlement date**

Notice is hereby given that the interim dividend will be payable on Thursday, 28 September 2006 to shareholders whose names appear in the Record of Depositors at the close of business on Thursday, 14 September 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 Thursday, 14 September 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 2005 and up to the date of this report are as follows :-

Financial Year	Type	Rate	Payment Date
2005	Interim dividend	5 sen less 28% income tax	28 September 2005
2005	Final dividend	15 sen less 28% income tax	7 June 2006
2006	Interim dividend	5 sen less 28% income tax	28 September 2006

**B13. Earnings per Share**

The basic earnings per share has been calculated by dividing the Group's profit for the current period attributable to the shareholders of the Company by 1,185,499,882 ordinary shares in issue during the period.

There is no diluted earnings per share for the current period or financial period-to-date as there were no dilutive potential ordinary shares.

**Kuala Lumpur**  
**23 August 2006**

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