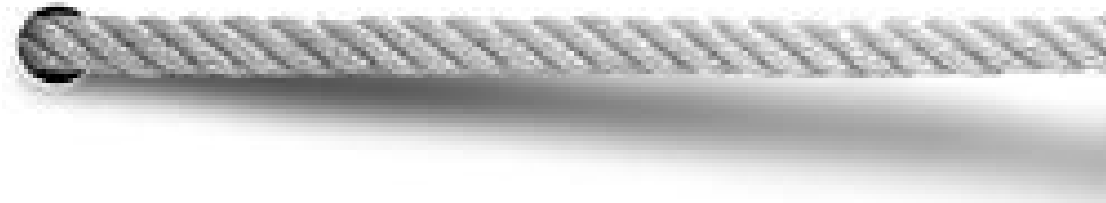




When examined in cross section, the rope is made up of many strands of smaller fibres which have been twisted together to provide strength and resilience.



Similarly, the Group comprises many business operations which have been integrated to lend support to one another and to form a cohesive group.

Like a rope which remains strong whether bent, twisted, crossed or pulled, the Group too is resilient to pressures from external forces due to its strong and stable management.



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The Corporation



bend

■ ■ ■ ■ to start

Bent on success, we are driven by our management's philosophy to expand beyond our comfort zone in search of new challenges.

Corporate Information

Board of Directors

Ong Ie Cheong	_____	Executive Chairman
Datuk Oh Siew Nam	_____	Deputy Chairman
Dato' Lim Chee Wah	_____	Executive Director
Dato' Abdul Jabid bin Mohd Don	_____	Non-Independent Non-Executive Director
Dato' Sri Liang Kim Bang	_____	Independent Non-Executive Director
Ang Guan Seng	_____	Independent Non-Executive Director
Tan Yew Jin	_____	Non-Independent Non-Executive Director

1.2

Audit Committee

Dato' Sri Liang Kim Bang	_____	Chairman
Ang Guan Seng		
Tan Yew Jin		

Nomination Committee

Ang Guan Seng	_____	Chairman
Dato' Sri Liang Kim Bang		
Tan Yew Jin		

Remuneration Committee

Dato' Sri Liang Kim Bang	_____	Chairman
Ang Guan Seng		
Ong Ie Cheong		

Secretary

Tan Teong Boon

Registered Office ————— 17th Floor Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2141 2077 Fax: 03-2141 8242
Website: www.ppbgroup.com

Solicitors ————— Kadir, Andri Aidham & Partners
8th Floor Menara Safuan, 80 Jalan Ampang,
50450 Kuala Lumpur

Lee Hishammuddin
Level 16 Menara Phileo, 189 Jalan Tun Razak
50450 Kuala Lumpur

Principal Bankers ————— Malayan Banking Berhad
Citibank Berhad
Bumiputra-Commerce Bank Berhad

Auditors ————— Moores Rowland
7th Floor South Block, Wisma Selangor Dredging
142A Jalan Ampang, 50450 Kuala Lumpur

Registrar ————— PPB Corporate Services Sdn Bhd
14th Floor Wisma Jerneh, 38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2141 2077 Fax: 03-2141 8242

Stock Exchange Listing ————— Kuala Lumpur Stock Exchange (Main Board)
Sector: Consumer Products
Stock Number: 4065
ISIN: MYL406500008
Reuters Code: PEPT.KL

Board of Directors' Profile

MR ONG IE CHEONG

Ong Ie Cheong, 60, a Malaysian, is a Non-Independent Executive Director and Executive Chairman of PPB Group Berhad. He was appointed to the Board on 18 September 1985 and was the Deputy Managing Director of the Company since 1993 before being appointed Chairman and Managing Director in 2000 and subsequently as Executive Chairman in 2001. He is a member of the Remuneration Committee of the Company. Mr Ong is also the Managing Director of Central Sugars Refinery Sdn Bhd since 1983. In addition, he holds directorships in PPB Oil Palms Berhad, Tradewinds (M) Bhd and Kuok Brothers Sdn Bhd. Mr Ong graduated from University of Malaya with a Bachelor of Science degree.



DATUK OH SIEW NAM

Y. Bhg. Datuk Oh Siew Nam, 63, a Malaysian, is a Non-Independent Executive Director and Deputy Chairman of PPB Group Berhad. He was appointed to the Board on 2 March 1988 and was the Managing Director of the Company from 1993 to 1999. Datuk Oh joined the FFM Group in 1968 and is presently the Executive Chairman of FFM Berhad. He is also a Director of Kuok Brothers Sdn Bhd and a Board Member of Bank Negara Malaysia since 1989. He served as a Member of the Capital Issues Committee from 1990 to 1993 and the National Economic Consultative Council II (MAPEN II). He was the Assistant Controller of Telecom Malaysia for five years from 1963. He holds a Bachelor of Engineering (Honours) degree in Electrical Engineering from the University of Canterbury, New Zealand.

DATO' LIM CHEE WAH

Y. Bhg. Dato' Lim Chee Wah, 62, a Malaysian, is a Non-Independent Executive Director of PPB Group Berhad. He was appointed to the Board on 2 March 1988. Dato' Lim is also the Executive Chairman of Malayan Sugar Manufacturing Co. Berhad. He serves on the Boards of Jerneh Asia Berhad and Kuok Brothers Sdn Bhd as a Director and is a trustee of Kuok Foundation Berhad. He graduated from the University of Malaya with a Bachelor of Economics (Honours) Degree.



DATO' ABDUL JABID BIN MOHD DON

Y. Bhg. Dato' Abdul Jabid bin Mohd Don, 72, a Malaysian, is a Non-Independent Non-Executive Director of PPB Group Berhad. He was appointed to the Board on 11 January 1985. Dato' Jabid held several positions in the Government service which include, amongst others, Deputy Secretary-General, Ministry of Home Affairs and Director-General of Immigration, Malaysia. He serves on the Boards of Tradewinds (M) Bhd and various private companies.



DATO' SRI LIANG KIM BANG

Y. Bhg. Dato' Sri Liang Kim Bang, 65, a Malaysian, is an Independent Non-Executive Director of PPB Group Berhad. He was appointed to the Board on 4 January 1995. He is the Chairman of the Audit Committee and Remuneration Committee and also a member of the Nomination Committee of the Company. Dato' Sri Liang held various positions in the Sarawak Civil service and his post prior to his retirement in 1994 was Sarawak's State Financial Secretary. Presently, he is a Non-Executive Chairman of CMS Steel Berhad and an Independent Non-Executive Director of PPB Oil Palms Berhad, Malaysia International Shipping Corporation Berhad, Cahya Mata Sarawak Berhad, CMS Trust Management Berhad and several other companies. Dato' Sri Liang graduated from the University of Malaya with Bachelor of Arts and Bachelor of Arts (Honours) Degrees. He also undertook a post-graduate course in Public Administration at the University of Cambridge, England.



MR ANG GUAN SENG

Ang Guan Seng, 63, a Malaysian, is an Independent Non-Executive Director of PPB Group Berhad. He was appointed to the Board on 8 July 1998. Mr Ang is the Chairman of the Nomination Committee and also a member of the Audit Committee and Remuneration Committee of the Company. He is the Managing Director of Petaling Garden Berhad and sits on the Boards of various public and private companies which include, amongst others, MUI Industries Berhad and Parkway Holdings Limited.

MR TAN YEW JIN

Tan Yew Jin, 60, a Malaysian, is a Non-Independent Non-Executive Director of PPB Group Berhad. He joined the Board on 12 May 2001. He is a member of the Audit Committee and Nomination Committee of the Company. Mr Tan is the Executive Chairman of PPB Oil Palms Berhad. He also serves on the Boards of FFM Berhad, Jerneh Asia Berhad and Tradewinds (M) Berhad. Mr Tan graduated in Accountancy from Perth Technical College, Western Australia and is a member of the CPA Australia. He is also a registered member of the Malaysian Institute of Accountants, Malaysian Association of Certified Public Accountants and Institute of Certified Public Accountants of Singapore.



None of the above Directors has any family relationship with any other Director and/or major shareholder of PPB Group Berhad and has no conflict of interest with the Company. The above Directors had no convictions for any offences within the past ten years.

Chairman's Statement

Overview of Results

On behalf of the Board of Directors, I am pleased to report on the improved performance of PPB Group Berhad notwithstanding the global economic slowdown. This is attributed to the Group's diversified core businesses and resilience to the challenging business environment.

The Group's profit before exceptional gains improved marginally by 3.6% to RM324.1 million from RM312.8 million in the previous year. Revenue grew by 7.4% to RM5.629 billion mainly due to higher sales from edible oils refining operations.

Pre-tax profit, however, was lower at RM321.6 million compared with RM408.9 million achieved in 2000 which included exceptional gains of RM96.1 million from the disposal of RA-PPB (Tops) Retail Sdn Bhd and certain quoted investments. There were no such exceptional gains in 2001. As a result, Group profit after tax and minority interest declined by 30.3% to RM170.3 million.

During the year, the Company issued bonus shares on the basis of 1 for 3 amounting to 122,655,781 shares which increased the Company's paid-up capital from RM367,967,343 to RM490,623,124. The Group's earnings and net tangible assets per share based on the enlarged share capital were 34.7 sen and RM5.58 respectively.

Dividends

The Board of Directors has recommended a final dividend of 10 sen per share comprising 5 sen tax exempt and 5 sen less 28% tax (2000 : 10 sen less 28% tax) amounting to RM42.2 million (2000 : RM26.5 million) payable on 23 May 2002. Together with the interim dividend of 10 sen per share less 28% tax (2000 : 5 sen tax exempt and 5 sen less 28% tax) paid on 19 September 2001, the total dividend for the financial year is 20 sen comprising 5 sen tax exempt and 15 sen less 28% tax amounting to RM68.7 million (2000: RM58.1 million) .

The total dividend amount for the financial year 2001 represents a dividend payout ratio of 49.1% of the Company's net profit.

Foods

The foods division remains the major earner for the Group, contributing approximately 60.8% and 58.8% of the Group's revenue and pre-tax profit respectively. The edible oils refining activities under PGEO Group achieved higher profits from increased sales whilst performance of the flour and feed milling activities was affected by stiff competition in a weaker market.

The Group's expansion into layer egg farms in Trong, Perak was completed in July 2001 and is currently producing 10 million eggs per month. Production is targeted to increase to 20 million per month by end of 2002. The expansion of the Group's flour milling activities to Vietnam was also completed in September 2001.



Plantations

The plantations division faced another challenging year with the lower commodity prices. PPB Oil Palms Bhd achieved an average CPO selling price of RM835/mt as against RM918/mt achieved a year earlier. Notwithstanding the lower CPO prices, the plantations division managed to achieve higher profits as the surge in CPO production of 48% to 253,518 mt from 171,380 mt compensated for the lower CPO prices. FFB production also increased significantly from 828,714 mt to 1,005,690 mt in 2001, an increase of 21%, driven by higher yields and an increase in matured hectareage from 47,549 hectares to 50,419 hectares. Consequently, profit contribution from this division to Group pre-tax profit increased from 4.1% to 10.7%.



Manufacturing and Services

The water engineering and solid waste management operations under Chemical Waste Management Sdn Bhd ("CWM") registered stronger profit contributions from its engineering works on the Sg. Selangor Phase 3 Water Supply Scheme and its 25% associated company, Konsortium ABASS Sdn Bhd, which entered the second year of its 30-year concession for the operation of the Sungai Semenyih Water Project.

CWM has been awarded new engineering projects for the Bayan Baru Sewarage Treatment Plant in Penang and the water treatment plant in Gadek, Melaka.

The financial performance of PT Healthcare Glovindo, which operates a glove factory in Medan, Indonesia was affected by lower sales and stocks write off due to a fire in the factory. Asia Pacific Microspheres Sdn Bhd also registered lower profits due to weaker demand for its phenolic microspheres.

Overall, this division maintained its previous year's performance.



Entertainment and Property

The entertainment division's losses were reduced by more than 50% from a conscientious cost cutting programme, increased concession sales and closure of unprofitable screens. Total collections were marginally down due to the closure of unprofitable screens although collections from operating cinemas increased by 11%. Admissions at GSC's 18-screen cineplex at Mid Valley have been very encouraging and this popular cineplex is contributing significantly to the business. Although piracy remains a threat, increased enforcement by the government coupled with the reduction in entertainment tax rate from 30% to 25% effective 1 October 2001 will help increase ticket sales.

The launch of PPB Hartabina Sdn Bhd's 178 units of semi-detached and bungalow units in March 2001 at Taman Segar, Cheras was highly successful and all except for some bumiputera units have been sold. It's commercial properties namely, Cheras Plaza and Cheras Leisuremall were also fully tenanted throughout the year. Contribution from property division was higher at RM6.8 million.



Shipping and Commodity Trading

Shipping operations under Malaysian Bulk Carriers Sdn Bhd performed satisfactorily due to its diversified fleet. During the year, Katella Sdn Bhd, purchased the Alam Aman II, a 47,000 dwt dry bulk carrier to transport raw materials for FFM Group's food processing activities, replacing Reef-ton's 27,420 dwt bulk carrier which has been disposed of. Commodity trading had a good year due to favourable trading conditions.



Prospects for 2002

The foods division is expected to maintain its profitability. To remain as market leaders in an increasingly competitive environment, the foods division continually upgrades its facilities to enhance operating efficiency and cost competitiveness. In addition to the newly commissioned 500mt per day wheat flour mill in June 2001 at Pulau Indah, Port Klang, FFM is planning to set up another wheat flour mill of equal capacity at the same location to replace the South Port mill operations which is over 30 years old.

CPO prices have risen from the low of RM 694/mt in February 2001 to the current RM1,150/mt. If the present level of CPO prices is maintained, the plantations division is expected to achieve appreciably higher profits. FFB production is estimated to grow by 10 % which would further improve profits.

Chemquest Group will continue to contribute to the financial growth of the Group especially from its Sungai Semenyih concession and environmental engineering projects. To further increase growth, the Chemquest Group is looking to expand to China and other Asean countries in water engineering and waste management operations.

On our entertainment operations, the reduction in entertainment tax and increased enforcement on video piracy would provide the business with better prospects of turning around. Capitalizing on the strong demand for its semi-detached and bungalow units, our property arm, PPB Hartabina Sdn Bhd, will be launching their second phase of 121 units this year. Response is expected to be good in view of the government's growth forecast of 3.5% for 2002 and the low interest rate environment.

The Group will continually strive to strengthen its core businesses both domestically and regionally whilst looking for investments which are synergistic to our businesses. Going forward, we are well positioned to take on business challenges and the Group is cautiously optimistic that its performance for year 2002 will be better than that of the previous year.

Directorate

I wish to welcome Mr Tan Yew Jin who joined the Board on 12 May 2001 and am certain that the Board will benefit from his experience and knowledge.

Appreciation

The continued strength and success of the Group would not be possible without the commitment and dedication of its people. On behalf of the Board of Directors, I wish to thank all our employees for their invaluable contribution and am confident that together with our excellent management team and sound company policies, our Group will continue to grow and ensure good returns on shareholders' funds.

Finally, we wish to thank our shareholders and other stakeholders for their confidence and continued support of the Company and look forward to another successful year in 2002.

Ong Ie Cheong
Executive Chairman

26 February 2002

Group Financial | Highlights

		2001 RM'Million	2000 RM'Million	% Change
INCOME STATEMENTS				
Revenue		5,629.093	5,240.288	7.42
Profit before taxation		321.566	408.855	-21.35
Profit after taxation		248.262	321.005	-22.66
Net profit for the year		170.302	244.482	-30.34
BALANCE SHEETS				
Funds employed *		4,208.785	4,013.359	4.87
Shareholders' funds *		2,775.528	2,653.469	4.60
RATIOS				
Current ratio *	times	1.86	1.81	2.76
Interest coverage	times	24.34	21.73	12.01
LT Debt/(LT Debt + Equity) *	%	1.17	0.42	178.57
Return on equity *	%	6.14	9.21	-33.33
Return on net assets *	%	7.68	10.23	-24.93
Price/Operating cash flow	times	5.18	2.48	108.87
Price earnings ratio	times	9.56	5.30	80.38
Profit before tax over revenue	%	5.71	7.80	-26.79
Earnings per share #	sen	34.71	49.83	-30.34
Net dividend per share	sen	15.80	15.80	0.00
proposed/declared for the year				
Net tangible assets per share * #	RM	5.58	5.32	4.89
31st December closing price #	RM	3.32	2.64	25.76

* The comparative figures have been adjusted accordingly to comply with MASB 19(11).

The comparative figures have been adjusted for the 1 for 3 bonus issue in 2001.

Corporate Governance Statement

The Board of Directors (“Board”) of PPB Group Berhad (“Company”) has always recognized the importance of good corporate governance to ensure the Company’s continued growth and success. The Board is therefore committed to practising high standards of corporate governance throughout the Company and its group of companies (“PPB Group”) to protect and enhance shareholders value.

In view of this, the Board is pleased to disclose below the manner in which it has applied the principles of good governance. The Board is satisfied that the Group has complied with all the best practices set out in the Malaysian Code on Corporate Governance (“the Code”) throughout the financial year, unless otherwise stated.

DIRECTORS

Board Responsibility

The Board is fully responsible for the effective control of the PPB Group. This includes responsibility for determining the Group’s strategic direction, financial performance, allocation of resources and standards of conduct. The Board meets at least four times a year, with additional meetings held when decisions on urgent matters are required between scheduled meetings.

During the financial year ended 31 December 2001, the Board met four times and the record of attendance of each Director is set out below: -

Name of Director	Attendance	% of Attendance
Ong Ie Cheong	3	75
Datuk Oh Siew Nam	4	100
Dato’ Lim Chee Wah	4	100
Dato’ Abdul Jabid bin Mohd Don	4	100
Dato’ Sri Liang Kim Bang	4	100
Ang Guan Seng	3	75
Tan Yew Jin	2 *	100

** Tan Yew Jin attended both meetings held during the financial year following his appointment to the Board on 12-5-2001.*

The Board has delegated specific responsibilities to three committees, namely, the Audit, Nomination and Remuneration Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Board Balance

The Board has seven Directors comprising three Executive Directors and four non-Executive Directors, of whom two are independent. The number of independent directors is in compliance with the Listing Requirements of the Kuala Lumpur Stock Exchange which requires one third of the Board to comprise independent Directors. Collectively, the Directors bring to the Board a wide range of business, financial and technical experience for the effective management of the Group’s diversified businesses. The profile of each director is presented on **pages 1.4 to 1.5** of this Annual Report.

There is a clear division of responsibilities in the Company. The Executive Chairman represents the Board to shareholders and provides Board leadership and direction on policy formation and decision-making. He is supported by the Chief Executive Officers of the principal subsidiaries in managing the operations and business activities of the Group. The four non-Executive Directors of calibre and experience provide the necessary balance of power and authority to the Board. They ensure that all proposals by management are fully deliberated and examined and take into account the interests of shareholders and other stakeholders and the communities in which the Group conducts its business. The independent directors provide unbiased and independent views to safeguard the interest of minority shareholders.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

On 8 November 2001, Dato' Sri Liang Kim Bang was appointed as the Senior Independent Non-Executive Director to whom all concerns regarding the Company may be conveyed.

Supply of Information

All Directors are provided with an agenda and a set of Board papers issued in sufficient time prior to Board meetings to enable the Directors to obtain further explanation, where necessary to facilitate informed decision making. The Board papers include updates on financial, operational and corporate developments of the Group. At each Board Meeting, the directors are briefed on the Group's activities and operations by the Chief Executive Officers of the principal subsidiaries.

In exercising their duties, the Directors have access to all information within the Company and to the advice and services of the Company Secretary. If necessary, the Directors can seek professional opinion and advice from external consultants including merchant bankers, valuers and financial advisers.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the overall Group strategy and direction, approval of interim and annual results, corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and capital expenditures.

Appointments to the Board

As recommended by the Code, a Nomination Committee was set up on 11 May 2001 and comprises three non-Executive Directors, of whom two are independent. The members are Ang Guan Seng (Chairman), Dato' Sri Liang Kim Bang and Tan Yew Jin.

The Committee assists the Board in the following:-

- * Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- * Regularly review the required mix of skills, experience and other qualities of the directors, including core competencies which non-executive Directors should bring to the Board.
- * Review the Board structure, size and composition and make relevant recommendations to the Board including Directors to fill the seats on board committees.
- * Assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of Directors.

Decisions on appointments are made by the Board after considering recommendations by the Committee. During the financial year ended 31 December 2001, the Nomination Committee had one meeting which was attended by all members.

Directors' Training

There is a familiarization programme for new Board members, including visits to the Group's businesses and meetings with senior management as appropriate, to facilitate their understanding of the Group. The Directors are also required to attend courses regularly to keep abreast of new regulatory developments and listing requirements.

Re-election of Directors

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the Board including the Executive Chairman is subject to re-election annually and each Director shall stand for re-election at least once every three years.

DIRECTORS' REMUNERATION

Remuneration Policy

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Group successfully. In the case of Executive Directors, the remuneration is structured to link rewards to corporate and individual performance. As for the non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by the non-Executive Director.

Remuneration Procedure

The Remuneration Committee comprising mainly non-Executive Directors was established on 11 May 2001 to recommend to the Board the remuneration of the Executive Directors. It is, nevertheless the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The members of this Committee are Dato' Sri Liang Kim Bang (Chairman), Ong Ie Cheong and Ang Guan Seng.

The determination of the remuneration of the non-Executive Directors is a matter for the Board as a whole subject to approval of shareholders at the Annual General Meeting. The directors are not involved in the approval of their own remuneration package. During the financial year ended 31 December 2001, the Remuneration Committee had one meeting which was attended by all members.

Remuneration Package

The details of the remuneration of Directors on Group basis for the financial year ended 31 December 2001 are as follows :-

<i>(All figures in RM'000)</i>	<u>Executive Directors</u>	<u>Non-Executive Directors</u>
Salary	2,132	456
Fees	35	225
Bonus	2,250	450
Benefits-in-kind	65	33
Total	<u>4,482</u>	<u>1,164</u>

The number of directors whose remuneration falls into the following bands of RM50,000 is shown below:-

	<u>Executive Directors</u>	<u>Non-Executive Directors</u>
Less than RM50,000	-	1
RM50,000 – RM100,000	-	2
RM950,000 – RM1,000,000	1	1
RM1,250,000 – RM1,300,000	1	-
RM2,200,000 – RM2,250,000	1	-
Total	<u>3</u>	<u>4</u>

RELATIONS WITH SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the shareholders of PPB Group Berhad. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. An annual press conference is also held after the financial year results are released to the Kuala Lumpur Stock Exchange. Summaries of the financial results are advertised in daily newspapers and copies of the full announcement are supplied to shareholders and to members of the public upon request.

The Company has established a website at www.ppbgroup.com for shareholders and the public to obtain up-to-date information of the Group's activities, press releases, quarterly results and annual reports. Furthermore, the Company has a Corporate Affairs Department to provide shareholders with a channel of communication on which they can provide feedback to the Company.

Queries and concerns regarding the Group may be conveyed to the following persons :-

1. Dato' Sri Liang Kim Bang, Senior Independent Non-Executive Director
Telephone number : 03-21412077
Facsimile number : 03-21411041
2. Koh Mei Lee, Senior Manager (Corporate Affairs)
Telephone number : 03-21412077
Facsimile number : 03-21411041
E-mail address : corporateaffairs@ppb.com.my

Annual General Meeting

The Annual General Meeting ("AGM") of the Company provides a principal forum for dialogue and interaction with shareholders. Notice of the AGM and annual reports are sent to shareholders at least 21 days before the date of meeting. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meetings regarding directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate evaluation of the issue involved.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, quarterly and half yearly announcement of results to shareholders, the Directors take responsibility to present a balanced and fair assessment of the Group's position and prospects. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on **page 3.8** of this Annual Report.

Internal Control

The Board acknowledges its responsibility for establishing an efficient and effective system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investment and the Group's assets. Such system can, however, only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The key elements of this system are summarized as follows:-

Risk Management

The Board recognizes that an important element for a sound system of internal control is to have in place a risk management system to identify principal risks and implement appropriate controls to manage such risks. To achieve this, Messrs KPMG was appointed to assist in the implementation of an Enterprise Risk Management (“ERM”) framework at three subsidiaries of the Group and management is now implementing the ERM framework in stages to the rest of the Group to comply with the Code by the financial year ending 31 December 2002. In addition, a Risk Advisory Committee (“RAC”) was established in November 2001 to oversee the implementation of the risk management system in the Group.

The RAC is headed by the Executive Chairman and includes the Company Secretary, Corporate Affairs Senior Manager, Finance Controller and Internal Audit Manager. This Committee reports to the Audit Committee.

Control Environment and Activities

The Board is committed to the integrity of staff at all levels, through its comprehensive recruitment, appraisal and reward programmes. There is an effective Group’s organizational structure within which business activities are planned, controlled and monitored.

The Board has in place a system to ensure that there are adequate financial and operational policies and procedures and rules relating to the delegation of authorities.

Information and Communication

There is a comprehensive system of financial reporting to the Board, based on quarterly results and annual budgets.

Monitoring Process

The effectiveness of internal controls is monitored by the Audit Committee, which receives regular reports from internal and external auditors. Formal procedures are in place for correction of weaknesses identified in these reports. The Internal Audit Department is independent of management and reports functionally to the Audit Committee.

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is described on **pages 1.16 to 1.17** of this Annual Report. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

Audit Committee

The Audit Committee was established by the Board on 19 June 1990 and comprises non-Executive directors namely Dato’ Sri Liang Kim Bang (Chairman), Ang Guan Seng and Tan Yew Jin.

The terms of reference of the Audit Committee have recently been revised to conform to the listing requirements of the Kuala Lumpur Stock Exchange and the activities of the Committee for the financial year ended 31 December 2001 and are set out in the Audit Committee Report on **pages 1.16 to 1.17** of this Annual Report.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 February 2002.

Ong Ie Cheong
Executive Chairman

Dato’ Sri Liang Kim Bang
Independent Non-Executive Director

Additional Compliance Information

In compliance with the Kuala Lumpur Stock Exchange Listing Requirements, the following information is provided :-

1. **Non-Audit Fees**

The amount of non-audit fees paid to the Group's external auditors for the financial year ended 31 December 2001 is as follows :-

<u>Name of Auditor</u>	<u>Fees (RM)</u>
Moore's Rowland	139,892
KPMG	130,200
PricewaterhouseCoopers	11,750
Ernst & Young	8,015
Total	<u>289,857</u>

2. **Material Contracts**

There were no material contracts entered into by PPB Group Berhad ("PPB") and its subsidiaries with directors and major shareholders of the Company during the financial year ended 31 December 2001.

3. **Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)**

The RRPTs entered into by the PPB Group during the financial year ended 31 December 2001 pursuant to the Shareholders' Mandate granted at the Extraordinary General Meeting of the Company held on 5 October 2001 were as follows :-

RELATED PARTIES

- Kuok Brothers Sdn Bhd ("KB"), a major shareholder of PPB with direct interest of 40.14% and indirect interest of 0.71%, 0.23%, 0.10% and 0.01% held through Malaysian Food Agencies Sdn Bhd, Gaintiques Sdn Bhd, Min Tien & Co. Sdn Bhd and Hoe Sen (Mersing) Sdn Bhd respectively;
- Kerry Group Limited ("KGL"), a major shareholder with indirect interest of 7.50% in PPB held through Kerry Holdings Limited ("KHL");
- KHL, a major shareholder with indirect interest of 4.09%, 3.08% and 0.33% in PPB held through Dalex Investment Limited, Natalon Company Limited and Chipchase Limited respectively;
- Mr Kuok Khoon Ean ("Mr KKE"), a past Director of PPB, and his family are deemed to have more than 15% interest in PPB; and
- Datuk Oh Siew Nam ("Datuk OSN"), a Director of PPB, has direct and indirect interest of 0.01% and 0.06% respectively in PPB held through Loish Holdings Sdn Bhd.

NATURE OF TRANSACTIONS

Nature of Transactions Undertaken by PPB and/or its Subsidiaries	Transacting Party	Year 2001 Actual RM'000	Interested Related Party
<u>Purchase of raw sugar</u>			
Malayan Sugar Manufacturing Co. Berhad ("MSM")	Kerry Foodstuffs Co. Ltd ("KFCL")	283,154	KGL, KHL, Mr KKE & family
<u>Sale of refined sugar</u>			
MSM	Hoe Sen (Mersing) S/B	9,358	KB, Mr KKE & family
MSM	Min Tien & Co. S/B	17,743	KB, Mr KKE & family
MSM	KFCL	9,568	KGL, KHL, Mr KKE & family
MSM	New Quest Trading Ltd	22,230	Mr KKE & family
<u>Purchase of polypropylene bags</u>			
MSM	Tego S/B	3,491	KB, Mr KKE & family & Datuk OSN
<u>Purchase of fertilizer</u>			
PPB's Cane Division	Pengedar Bahan Pertanian S/B	1,655	Mr KKE & family
<u>Purchase of insurance</u>			
PPB Group	Jerneh Insurance Bhd ("JIB")	2,157 #	KB, Mr KKE & family
<u>Rental of premises</u>			
Golden Screen Cinemas S/B and Leisure Bowl (JB) S/B	Pelangi Bhd	1,466	KB, Mr KKE & family
PPB Group	JIB	310 #	KB, Mr KKE & family
<u>Provision of share registration services</u>			
PPB Corporate Services S/B ("PCS")	FFM Berhad ("FFM")	19	KB, Mr KKE & family
PCS	Jerneh Asia Bhd	16	KB, Mr KKE & family
PCS	Pelangi Bhd	26	KB, Mr KKE & family
<u>Provision of engineering services and quarry operations</u>			
Minsec Engineering & Services S/B	PPB Oil Palms Bhd ("PPBOP") Group	4,955	KB, Mr KKE & family
<u>Purchase of edible oils</u>			
Chemquest Trading (M) S/B	PGEO Group S/B	696	KB, Mr KKE & family

These amounts exclude transactions by PPB's listed subsidiaries, FFM and PPBOP for which approvals are obtained from their respective shareholders.

Audit | Committee Report

Composition

The members of the Audit Committee ("AC") during the financial year ended 31 December 2001 comprised the following directors :-

<u>Director</u>	<u>Membership</u>	<u>Directorship</u>
Dato' Abdul Jabid bin Mohd Don	Chairman	Independent non-Executive
Dato' Sri Liang Kim Bang	Member	Independent non-Executive
Ang Guan Seng	Member	Independent non-Executive
Tan Yew Jin (<i>Appointed : 17 May 2001</i>)	Member	Non-independent non-Executive

Note : On 1 January 2002, , Dato' Sri Liang Kim Bang was appointed the Chairman of the AC in place of Dato' Abdul Jabid, who resigned as Chairman and a member of the AC.

Terms of Reference

The revised terms of reference of the AC as approved by PPB Board on 11 May 2001 is set out below :-

Authority

The Audit Committee shall :-

- (1) have authority to investigate any matters within its terms of reference;
- (2) have the resources which are required to perform its duties;
- (3) have full and unrestricted access to any information pertaining to the Company;
- (4) have direct communication channels with the external and internal auditors';
- (5) be able to obtain independent professional or other advice; and
- (6) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Duties

The duties of the Audit Committee are to :-

- (1) review the following and report the same to the board of directors of the Company :-
 - a. with the external auditor, the audit plan;
 - b. with the external auditor, his evaluation of the system of internal controls;
 - c. with the external auditor, his audit report;
 - d. the assistance given by the employees of the Company to the external auditor;
 - e. the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g. the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on :-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
 - h. any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i. any letter of resignation from the external auditor of the Company; and
 - j. whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;

- (2) recommend the nomination of a person(s) as external auditor;
- (3) consider the external auditor's fee and any questions of dismissal;
- (4) discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary).
- (5) review the external auditors' management letter and management's response;
- (6) review any appraisal or assessment of the performance of members of the internal audit function;
- (7) approve any appointment or termination of senior staff member of the internal audit function;
- (8) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
- (9) consider other topics as defined by the Board.

Meetings of Audit Committee

The number of meetings of the AC held during the financial year ended 31 December 2001 and details of attendance of each committee member are as follows :-

<u>Director</u>	<u>Audit Committee Meetings</u>	
	<u>No. Held</u>	<u>No. Attended</u>
Dato' Abdul Jabid bin Mohd Don	4	4
Dato' Sri Liang Kim Bang	4	4
Ang Guan Seng	4	3
Tan Yew Jin	2#	2

Since the date of his appointment on 17 May 2001.

Activities of the Audit Committee

During the financial year ended 31 December 2001, the AC performed the duties specified in its terms of reference. In performing its duties, the AC inter-alia :-

1. reviewed with Moores Rowland the audit plan, the audit report, their evaluation of the system of internal controls and the assistance given by PPB's officers to them;
2. reviewed with the internal auditors their audit reports, approve their remit, audit plans, scope of audit and assessed the adequacy of their resources.
3. reviewed PPB's quarterly results and financial statements prior to submission to the Board of Directors.
4. considered the increase in Moores Rowland's audit fee and recommended the nomination of Moores Rowland for re-appointment as external auditor.

Activities of the Internal Audit Department

PPB Internal Audit Department ("PPBIAD") which was established by the Board on 12 September 1990 reports functionally to the AC and is independent of the activities they audit. During the financial year ended 31 December 2001, PPBIAD reviewed the adequacy and effectiveness of the accounting and operational internal control systems of PPB and its core subsidiaries. The audits focused on controls to safeguard assets, secure the accuracy and reliability of records, compliance with policies, procedures, laws and regulations and promote efficiency of operations.

Dato' Sri Liang Kim Bang
Chairman
(Independent non-Executive Director)

2001 | Corporate Diary of PPB Group Berhad

1.18

FEB

Release of 4th Quarter
Report for the year
ended 31 December
2001.

APR

Issue of
2000 Annual Report.

19

28

1

24

11

JAN

An Extraordinary General
Meeting ("EGM") was
held to approve the
proposed disposal of
70% equity interest in PT
Tidar Sungkai Sawit to
PPB Oil Palms Berhad.

MAR

A press briefing was
held to review the
financial results for the
year ended 31 December
2000.

MAY

32nd Annual General
Meeting was held.

Release of 1st Quarter
Report for the
three months ended
31 March 2001.

JUN

Announcement of proposed
1 for 3 Bonus Issue of
shares.

27**18****8****AUG**

Release of 2nd Quarter
Report and Fact Sheet
for the six months
ended 30 June 2001

17**OCT**

An EGM was held to
approve the proposed 1
for 3 Bonus Issue,
proposed amendments to
the Company's Articles of
Association and proposed
shareholders' mandate
for recurrent related
party transactions of a
revenue or trading
nature.

3**8****SEP**

Announcement of the
proposed disposal of
25% equity interest in
Pantai Dalit Beach
Resort Sdn Bhd.

JUL

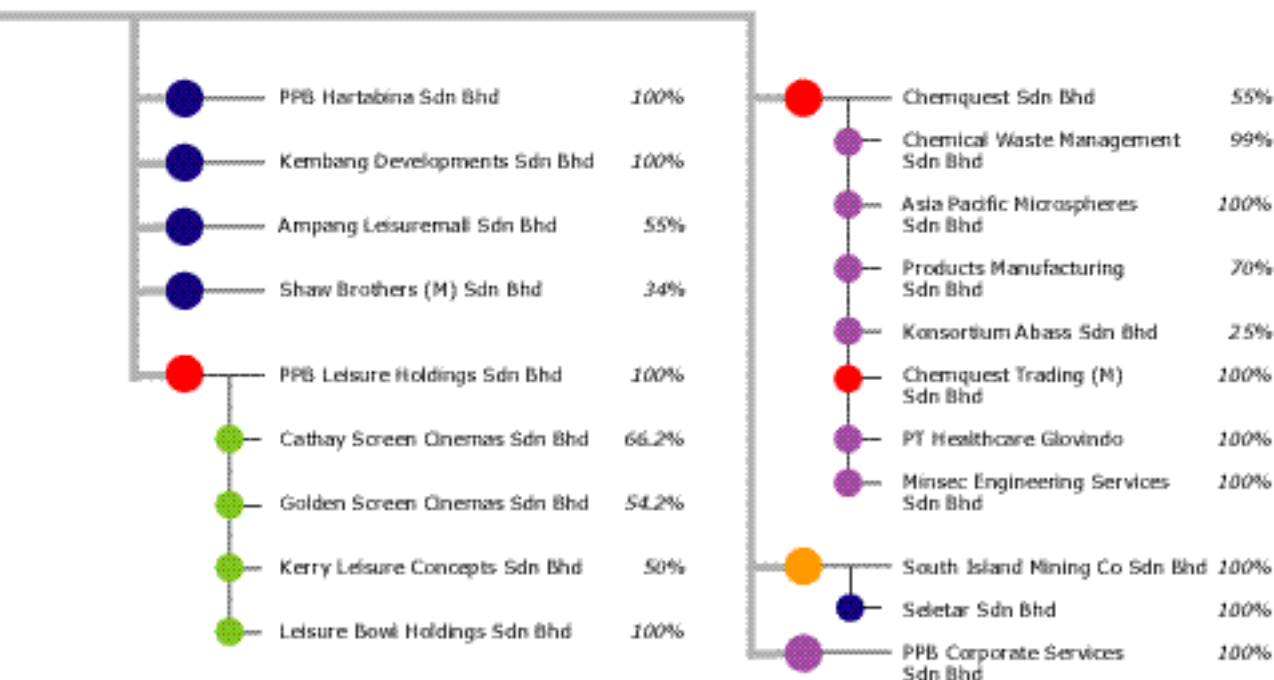
Announcement of the
proposed disposal of 20%
equity interest in Tanjong
Aru Hotel Sdn Bhd.

NOV

Release of 3rd Quarter
Report for the nine
months ended 30
September 2001.

Corporate Structure as at 8 March 2002





Legend

●	Listed on the Kuala Lumpur Stock Exchange
●	Sugar
●	Flour, animal feed or poultry breeding
●	Edible oils processing
●	Oil palm and other crops
●	Property
●	Entertainment and leisure
●	Trading and/or investment holding
●	Shipping
●	Manufacturing and services
●	Mining and rubber

Notes: This chart features the main operating companies and does not include dormant and inactive companies. Percentages shown indicate the Group's equity interest held.