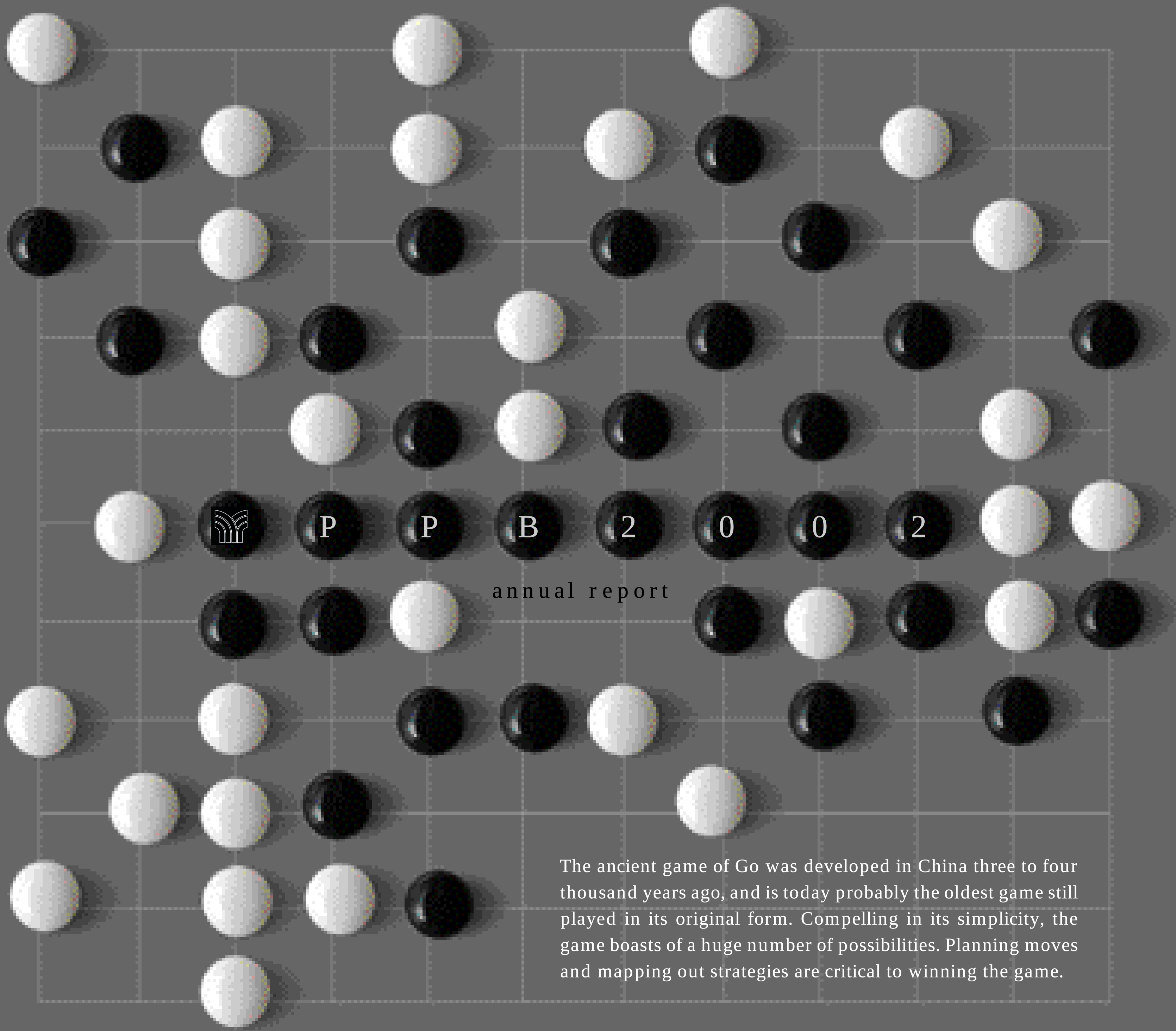
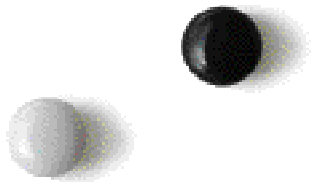


PPB 2002

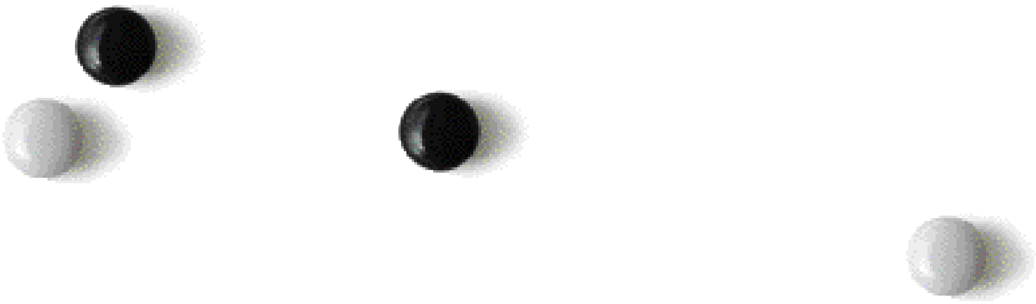
annual report

The ancient game of Go was developed in China three to four thousand years ago, and is today probably the oldest game still played in its original form. Compelling in its simplicity, the game boasts of a huge number of possibilities. Planning moves and mapping out strategies are critical to winning the game.

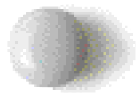
The Group, too, has adopted similar fundamentals in making the right choices. When the game plan is to overcome and succeed, it is imperative to utilise all resources and plan ahead, making a concerted effort to achieve the Group's goals.



The Group is moving ahead, gathering strength even as it faces challenges and overcomes obstacles.



It is led by a strong and committed management team with a sound strategy for growth that has been carefully mapped out to ensure success.



CONTENTS

CHAIRMAN'S STATEMENT

PPB Group accomplished a financial milestone in 2002 to record profits of over half a billion Ringgit at RM508.9 million, an increase of 58.2% over the previous year's performance.

With the measures taken to capitalize on our profitable core businesses and enhance profit margins, the Group is well positioned to sustain its profit growth. I wish to thank the management and all employees who have, through their hard work and dedication, made possible the record performance for this year.

Ong Ie Cheong

Executive Chairman

The Year

under review has been

the most successful one for PPB Group Berhad.

It marks the first year in which the Group has achieved a pre-tax profit of over half a billion Ringgit. *Pre-tax profit at RM508.9 million is a significant 58.2% improvement over that achieved in the previous year of RM321.6 million. This substantial improvement is largely due to higher profit contributions from the plantations, commodity trading, flour and animal feed activities and property development. Year-on-year, revenue was up 39.6% to RM7.858 billion from RM5.629 billion due principally to higher palm product prices and production.*

Compared with last year, net profit was 47.2% higher at RM250.7 million equivalent to earnings per share of 51.1 sen. The Group's balance sheet continued to strengthen with strong cash flows from operations and its financial resilience is reflected by its liquid funds and net cash position which as at 31 December 2002 stood at RM478.5 million and RM17.1 million respectively. Total assets expanded to RM5.394 billion whilst net tangible assets per share improved to RM5.69 from RM5.58.

DIVIDENDS

The Board is pleased to recommend a final dividend of 12.5 sen per share comprising 7.5 sen less 28% tax and 5 sen tax exempt payable on 29 May 2003.

Together with the interim dividend of 9 sen per share (5 sen less 28% tax and 4 sen tax exempt) and special dividend of 25 sen per share tax exempt paid on 19 September 2002 and 16 December 2002 respectively, the total dividend for the year ended 31 December 2002 would amount to 46.5 sen per share (12.5 sen less 28% tax and 34 sen tax exempt).

The total net dividend of RM211 million exceeds the amount paid in 2001 of RM68.7 million by 207%. This represents a dividend payout of 97.6% of Company earnings and a dividend yield of 10.9%.

The generous dividend payment is in line with the Group's policy of rewarding shareholders with good dividend payouts .

REVIEW OF OPERATIONS

Sugar Refining and Cane Plantation

Sugar refining operations continue to be an important contributor to Group profits. Profit contribution in 2002, however, was lower compared with the previous year due to reduced refining margins and intense competition. Nevertheless, the Group managed to maintain domestic sales at 60% of the market and increased export sales by almost 50%, which helped improve performance.

The cane plantation operations in Chuping, Perlis recorded another year of modest profit.

Grain and Feed Milling

Despite operating in a competitive environment exacerbated by the repatriation of foreign workers, the Group's grain and feed milling operations managed, however, to perform better than last year. This was attributed to measures taken to control operating costs and increase sales.

To enhance competitiveness and achieve economies of scale, the Group embarked on several initiatives to replace older factories with new state-of-the-art flour mills and to build additional ones catering to new markets.

The relocation of the Group's manufacturing complex from South Port, Port Klang to Pulau Indah started with the commissioning of a new 500-mt per day flour mill in June 2001 and will include the setting up of another flour mill of similar capacity next to the current mill. A new 50-mt per hour feed mill will also be built at the same location to replace existing feed milling activities in South Port. The whole relocation exercise is expected to be completed in early 2005.

The Group's 400-mt per day flour mill in Vietnam under Vietnam Flour Mills Ltd has in its first full year of operations achieved an average production capacity of 50% and sales of 43,300 mt. A new 220-mt per day flour mill in Kuching under FFM Flour Mills (Sarawak) Sdn Bhd is expected to commence operations in March 2003.

Livestock Farming

When the "Mad Cow" disease affected Europe in 2001, Thailand increased their production capacity for processed poultry products to cope with the demand from Europe. However, when the situation improved and caution on beef consumption was lifted, the reduced demand for poultry products from Thailand resulted in an oversupply of day-old chick (DOC). The surplus DOCs from Thailand were smuggled to Malaysia causing the local DOC prices to fall. Similarly, the overproduction of table eggs also resulted in low egg prices.

Livestock farming provides synergy to the animal feed operation and is part of the Group's integrated activities from production of animal feed to DOCs and table eggs and in the longer term to processed consumer products.

FFM Farms Sdn Bhd currently has a production capacity of 2.7 million DOCs per month and its layer farm produces about 10 million table eggs per month.

Edible Oils Refining & Trading

The Group's refineries produced 3.5 million mt of refined edible oils which is marginally lower than the previous year mainly due to the cessation of the Pandamaran refining operations during the year. Despite a poor start, refining margins picked up in the third quarter to achieve profit similar to last year. Moving downstream, the Group invested in dry fractionation plants at its refineries in Pasir Gudang, Sandakan and Bintulu for the production of cocoa butter replacers.

Packaging

Tego Group produces PP and PE woven bags and fabrics for industrial applications. To compete in a mature market, Tego has focused on its competitive advantage of product quality and innovation to produce low shrinkage fabrics, circular in-side lamination bags and higher-end bulk bags. The Group also produces steel drums and plastic bottles at its manufacturing plant in Pasir Gudang and this remains the major contributor to packaging profits.

Oil Palm Plantations

The oil palm plantation operations had an outstanding year in 2002 with 410.8% operating profit growth driven mainly by the marked increase in palm product prices and higher CPO production. The average selling price achieved for CPO of RM1,299 per tonne was 55.6% ahead of last year's RM835 per tonne while kernel oil price improved by 58.7% to RM608.

Production of fresh fruit bunches improved slightly to 1,050,927 tonnes and CPO production rose by 10.3% to 279,560 tonnes mainly due to the higher oil extraction rate which climbed to 22.2% from 21.5%.

In July 2002, PPB Oil Palms Berhad (PPBOP)'s first palm oil mill in Indonesia under PT Tidar Sungkai Sawit commenced operations. In December 2002, PPBOP's subsidiary, Suburmas Plantations Sdn Bhd, entered into a joint venture with three other companies to build and operate another palm oil mill of 40-tonne per hour capacity in Sarawak. In the same month, another subsidiary, Kalimantan Palm Industries Sdn Bhd (KPI) entered into a Shares Sale Agreement with Kerry Holdings (Indonesia) Limited to acquire 90% equity interest in PT Kerry Sawit Indonesia which owns 32,200 hectares of land proposed for the development of oil palm in Central Kalimantan.

When KPI's acquisition is completed, PPBOP Group's land bank in Indonesia will increase from 25,727 hectares to 57,927 hectares whilst its total land bank will increase from 102,722 to 134,922 hectares.

Environmental Engineering, Waste Management and Utilities

This division continues to generate steady profits to the Group especially from its water concession operations at Sungai Semenyih. Contribution from engineering projects was lower this year as the RASA Distribution and Supply System and the Semenyih Alternative Power Supply were completed early in the year and new projects only commenced in the latter half of the year. Chemical Waste Management Sdn Bhd (CWM) is currently undertaking the construction of a water treatment plant in Melaka, a sewage treatment plant in Penang and a distribution supply system in Selangor.

Film Exhibition and Distribution

Cinema operations returned to profitability to record an operating profit of RM5.6 million. The turnaround is attributable to higher admissions, which improved by 23% over the previous year due to the increase in the number of strong commercial films released and the reduction in entertainment tax. Golden Screen Cinemas (GSC) has been well positioned to capitalize on the turnaround in the film industry after the closure of its unprofitable screens and the implementation of its cost efficiency programmes. Whilst efforts have been made to contain cost, the service and quality of facilities have not been compromised as GSC continues to improve facilities offered to cinemagoers.

In February 2002, PPB acquired a 33.3% equity interest in Global Entertainment and Management Systems Sdn Bhd, which owns 25% of Tanjong Golden Village to widen its cinema operations.

Property Investment and Development

The property division performed considerably better due to profits from its Phase 1 and Phase 2 of the Bukit Segar residential homes comprising primarily bungalows and semi-detached units totalling 299 units. To date, 62% of these units have been sold. The Group's commercial properties, Cheras Leisure Mall and Cheras Plaza continue to enjoy high occupancy and rental because of their strategic location and good management.

Another residential development of 561 units of low to medium cost homes at Bedong, Kedah was launched in the year to reasonably good response.

PROSPECTS FOR 2003

The Malaysianeconomy

is expected to grow by between 4% - 6% this year,

supported by domestic demand and the government's plans to pump-prime the economy.

The recovery of the Malaysian economy should benefit the Group's core businesses. This recovery, however, may be derailed if the situation in the Middle East does not improve and a US-led war against Iraq ensues.

The Board is confident that with the measures taken to capitalize on its profitable core businesses and to enhance profit margins, the Group is well positioned to sustain its profit growth. Based on the current favourable prices of commodities and the strong fundamentals of the Group's businesses, the Board is optimistic that the profit level of 2003 would match that of last year.

The Board

At the forthcoming AGM, Dato' Abdul Jabid bin Mohd Don will be retiring and will not be seeking re-election. On behalf of the Board of Directors, I would like to take this opportunity to express my thanks to him for his contributions to the Group and wish him well for the future.

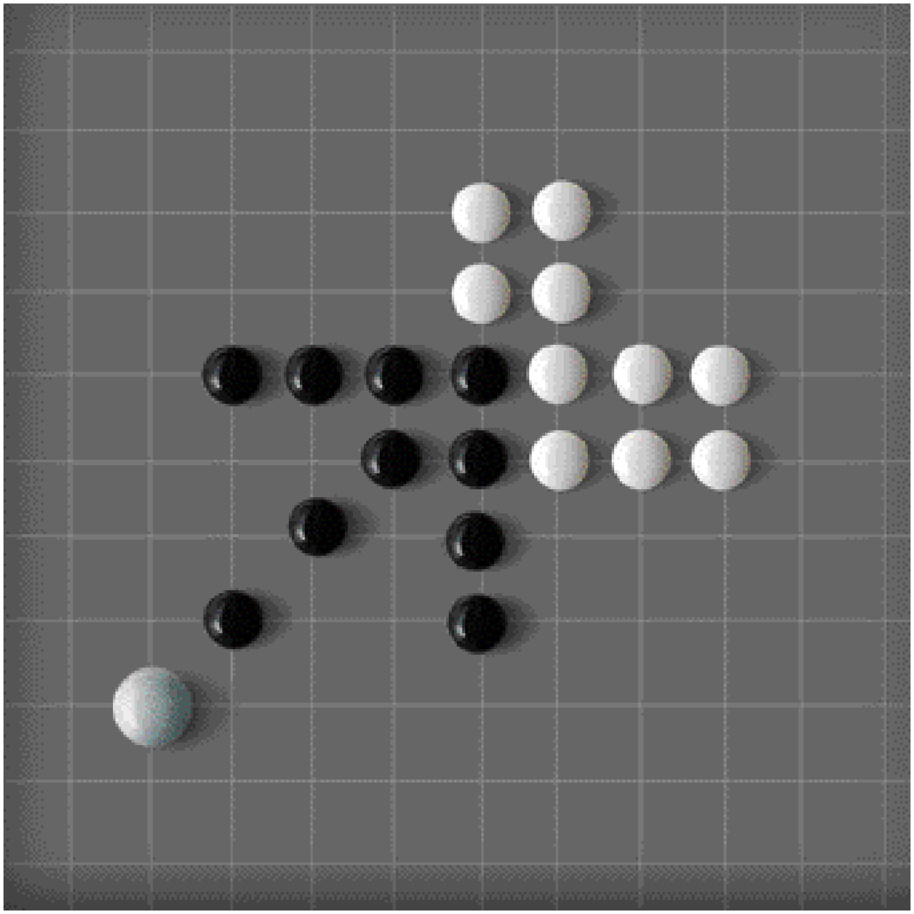
Special Thanks

On behalf of the Board of Directors, I wish to take this opportunity to congratulate the management for their commitment and focus on delivering this strong result.

I would also like to acknowledge the contributions of all my fellow directors who join me in thanking our employees for their efforts and dedication to the ongoing success of the Group.

To our shareholders, business associates and other stakeholders, I wish to extend my sincere appreciation for your continued support and confidence in PPB GROUP BERHAD. We on our part will strive to further enhance the value of your investment in the Group.

28 February 2003



FOCUS

The game of Go is a contest of minds focused on winning. Likewise, the Group's unwavering focus on its core businesses has resulted in substantial growth, translating into significant profits.