

ANNUAL REPORT 2012



PPB GROUP BERHAD



People

Passion

Brand

People

Passion

Brand



PPB Group's passion is about creating quality, and reliable products and services. Through the years, this enduring passion has formed our values and crafted strong bonds between the Group and our customers, and the community.



PPB GROUP BERHAD





PEOPLE • PASSION • BRAND





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MASSIMO

#1 The Italian Baker

SANDWICH LOAF
WITH

MARINA TUNA



PEOPLE

Bridging boundaries
and connecting with
communities.

01 THE CORPORATION

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF PPB GROUP BERHAD, IT GIVES ME GREAT PLEASURE TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012.

GROUP RESULTS

PPB Group recorded a healthy performance for the financial year ended 31 December 2012 with revenue improving by 11% to RM3.02 billion from RM2.71 billion in 2011. The increase was attributable to higher feed sales volume in Malaysia and flour sales volume in Vietnam and Indonesia. The sales of high-end residential properties in Bukit Segar, Kuala Lumpur and Taman Tanah Aman, Seberang Prai Tengah also contributed to the increased revenue.

Profit before tax, however, declined 13% to RM917 million due to lower profit contribution from Wilmar International Limited (Wilmar) of RM694 million as compared with RM790 million in 2011 and losses incurred in the livestock farming segment.

Correspondingly, profit for the year reduced 14% to RM868 million from RM1,013 million in the year before. Profit attributable to shareholders was RM842 million translating to earnings per share of 71 sen compared with 83 sen in 2011.

CORPORATE EXERCISES

Pursuant to the Memorandum of Understanding entered between FFM Berhad (FFM), and Wilmar on 2 December 2010 for the proposed acquisition by Waikari Sdn Bhd (Waikari), a wholly-owned subsidiary of FFM, of 20% equity interest in selected subsidiaries of Wilmar engaged in flour milling in the People's Republic of China (PRC), Waikari has completed the acquisition of 20% stakes in nine companies namely Yihai (Chongqing) Foodstuffs Co., Ltd; Yihai Kerry (Quanzhou) Oils, Grains & Foodstuffs Industries Co., Ltd; Yihai Kerry (Anyang) Foodstuffs Industries Co., Ltd; Yihai (Zhoukou) Wheat Industries Co., Ltd; Dongguan Yihai Kerry Oils, Grains & Foodstuffs Industries Co., Ltd; Yihai Kerry (Shenyang) Oils, Grains & Foodstuffs Industries Co., Ltd; Yihai Kerry (Beijing) Oils, Grains & Foodstuffs Industries Co., Ltd; Yihai Kerry (Zhengzhou) Foodstuffs Industries Co., Ltd; and Yihai Kerry (Kunshan) Foodstuffs Industries Co., Ltd.





1. Datuk Oh Siew Nam
2. High-end bungalow at Masera Bukit Segar, Cheras
3. FFM's animal feed warehouse
4. FFM's flour & feed mill silos in Pulau Indah

Six of the nine companies acquired have commenced production whilst the remaining three are still under or pending construction. When all of the nine flour mills are in production, they are expected to contribute positively to the Group.

During the year, Glowland Limited, a wholly-owned subsidiary of FFM, acquired 51% interest in the charter capital of VFM-Wilmar Flour Mills Company Limited, a limited liability company established in Vietnam to carry out wheat flour milling and the sale of flour, flour-based products and by-products.

DIVIDENDS

The Board is pleased to recommend a final single tier dividend of 13 sen per share and together with the interim single tier dividend of 7 sen per share paid in September 2012, would bring the total dividend for the financial year ended 31 December 2012 to 20 sen per share amounting to RM237.1 million.

The proposed final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting and if approved will be paid on 3 June 2013.



OVERVIEW OF OPERATIONS

FOOD MANUFACTURING ACTIVITIES

FLOUR AND FEED MILLING

The grains trading, flour and feed milling division of the Group recorded a 13% improvement in revenue to RM1.8 billion driven by higher feed and flour volume sales. Despite higher profits generated by increased feed sales volume, profit before tax declined 9% due to unfavourable grains trading results.

In line with the Group's strategy to expand its flour milling business overseas to cater for a wider market, FFM Group has embarked on several projects to increase its production capacity overseas.

PT Pundi Kencana, a 51% subsidiary of the Group, is scheduled to commission two additional 500 mt per day flour mills in Indonesia by end of this year which would double its production capacity from 1,000 mt per day to 2,000 mt per day.

Kerry Flour Mills Ltd, a 43.4% associate of the Group, is scheduled to commission an additional milling capacity of 300 mt per day in the 1st quarter of 2014 which will increase its production capacity in Thailand to 700 mt per day.

In Vietnam, FFM Group is expanding its 400 mt flour mill in Ba Ria Vung Tau Province by 150 mt per day. In addition, the Group is planning for a new 500 mt per day flour mill in northern Vietnam under its 51% subsidiary, VFM-Wilmar Flour Mills Company Limited, to complement its existing 400 mt per day flour mill situated in the south.

As mentioned under the corporate exercise section above, acquisitions by Waikari of 20% in the nine flour mills in China would add to the group's regional flour milling business.

On the domestic front, FFM Group's flour mill in Pulau Indah commissioned a whole wheat production line in April 2012 to support the production of Massimo's 100% whole wheat loaf. A new 1kg packing line was installed in June 2012. In Kuching, Sarawak the construction of the new pollard packing/storage warehouse was completed in December 2012.

BAKERY

Since the launch of "Massimo" bread loaves and buns in 2011, the brand has been well accepted. The good promotion and distribution network have made "Massimo" a new household brand in Malaysia. To extend the reach to the whole of Peninsular Malaysia besides the Klang Valley, additional depots were set up in Malacca, Seremban, Alor Setar, Johor and Kuantan. To-date, Massimo breads and buns are available in most major towns of Peninsular Malaysia except Kota Bharu and Kuala Terengganu in the east coast states. Currently, additional capacity is being planned to increase production.

In May 2012, The Italian Baker introduced Massimo's 100% whole wheat loaf to meet the requirements of health conscious consumers. FFM set up a special mill to produce genuine whole grain products for this purpose. The Group will continue with research and development to develop new and innovative products to cater to market demand.

1. FFM's popular "Blue Key" flour in 1kg pack
- 2 & 3. Frozen food produced by FFM Further Processing Sdn Bhd
- 4, 5 & 6. "Massimo" bread loaves and buns have been well accepted by the market
7. FFM Group's layer farm has a monthly production capacity of 20 million eggs



FROZEN FOODS

The frozen foods division had a challenging year with intense price competition from other food manufacturers. For further sales growth, the Group is looking at the export market. Towards this end, the processing plant commissioned its fourth raw material cold-room and increased its production floor space to prepare for higher production output with the planned release of new products for both the Malaysian and export markets.



MARKETING, DISTRIBUTION AND MANUFACTURING OF CONSUMER PRODUCTS

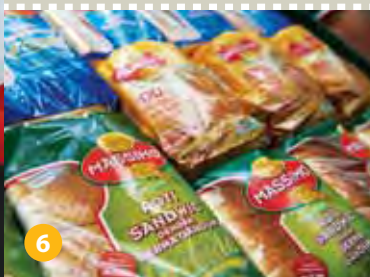
The marketing, distribution and manufacturing of consumer products division performed well to register profits of RM20 million on the back of higher revenue of RM389 million compared with RM375 million in 2011. The better performance was attributable to growth in sales of new products from agencies particularly its soy drinks, household products and toiletries.

LIVESTOCK FARMING

Livestock farming had a difficult year in 2012 faced with low prices as the poultry industry continues to increase broiler chicks and egg production. This division also encountered lower margins from the steep increase in feed cost arising from the drought in the United States which pushed global grain prices up. Poultry diseases which affected the yield of eggs and chicks at the farms coupled with increased labour costs added to its challenges. As a result, this division recorded losses of RM29.3 million as compared with profits of RM12.7 million in the year before.

Although the financial performance of livestock farming can be volatile, its operation is an integral part of the Group's flour and feed milling and further processing operations. To enhance operations, a new ventilation and air conditioning system was installed in the Gurun hatchery in December 2012 which will enable the incubators to hatch better quality chicks.

The livestock farming business remains challenging as production is not anticipated to decrease from major breeders and layer producers in an already oversupplied market.





ENVIRONMENTAL ENGINEERING, WASTE MANAGEMENT AND UTILITIES

For the year under review, this division achieved profit before tax of RM9.5 million against revenue of RM155 million.

Operationally, the Group under CWM Group Sdn Bhd (CWM), continued its expansion in Sarawak in 2012 with a second project known as Serian Water Treatment Plant with a treatment capacity of 50,000m³/day which is scheduled to complete by the first quarter of 2013. This plant will provide potable water to the residents of Serian town and its surrounding areas.

In the same year, CWM completed the Putrajaya Sewage Treatment Plant Module 2 and successfully secured the subcontract of a sewage treatment project under the Greater KL Scheme on a design and build basis and the Kuala Jelai Water Treatment Plant extension works.

The total construction order book for this division as at end 2012 was RM80 million covering 7 projects.



FILM EXHIBITION AND DISTRIBUTION

The Leisure group performed well to record a 6% increase in profits to RM40 million despite increased competition from the growing number of new cinema screens in the country. Although admissions were lower due to the poor performance of local films, the improved financial performance was possible due to contribution from Golden Screen Cinemas Sdn Bhd (GSC)'s new screens and higher income from screen advertising.

In 2012, GSC added four new multiplexes to its cinema chain in Peninsular Malaysia. The first GSC Lite was opened in Mentakab Star Mall in Pahang with 6 screens in the first quarter of the year followed by the twin opening of Setia City Mall, Shah Alam and Paradigm Mall, Petaling Jaya in the second quarter, both of 9 screens each. To close the year, GSC's second Lite cinema was opened in Amanjaya Mall, Sungai Petani in November 2012 which brings the total number of screens operated by GSC to 220 screens in 26 locations.

GSC will continue to be busy with the expansion of its cinemas this year. Spreading its brand of movie

1. River Gate of KLIA Intake Plant
2. GSC Paradigm Mall, Petaling Jaya
3. Cravings Lane @ 2 in Cheras LeisureMall
4. Hall 8, GSC Setia City Mall, Shah Alam



entertainment for the first time to Sarawak, GSC opened its 8-screen GSC Lite cinema at Bintang Megamall, Miri on 7 February 2013 to enthusiastic response. In the pipeline, GSC is committed to invest RM150 million in 9 new sites of which 2 will be opened this year, one in Kuching and the other in Seremban while the remaining 7 new locations are scheduled to be opened in 2014 and 2015.

In its continuous efforts to offer convenient ticketing services, GSC added "RHB Now" Direct Debit as an additional payment option in GSC Mobile App for iPhone and Android phones on top of payment channels like M2U and Paypal. Ticketless services like auto gates installed in GSC's key locations which provide movie-goers direct access into the cinema halls through the automated scanning of barcodes on their mobile phones are environment-friendly and popular with today's technology savvy movie-goers.



PROPERTY INVESTMENT AND DEVELOPMENT

The Group's property division recorded significantly higher profits by 43% to RM22 million mainly from the sales of Masera bungalows at Bukit Segar, Cheras and semi-detached houses at Taman Tanah Aman in Seberang Prai.

In addition to property development, the Group enjoys recurring rental income from the high occupancy of its main commercial properties, viz Cheras LeisureMall and Cheras Plaza in Kuala Lumpur; New World Park and the Whiteaways Arcade in Penang; and the Damansara Jaya shophouses in Selangor.

A section of Level 2 at Cheras LeisureMall was refurbished during the year into Cravings Lane @ 2 comprising contemporary-styled food and beverage as well as retail outlets. This new concept has been well received by customers at the Mall.

With the acquisition of Cathay Screen Cinemas Sdn Bhd shares from the minority shareholders in the first quarter of 2012 making it a wholly-owned subsidiary of the Group, the Group will explore developing some of CSC's key properties.

It will also continue to look for potential new land bank for development for future growth and profitability.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that long term business success depends not only on delivering profits to shareholders but also on its ability to balance economic returns with positive and sustainable contributions to society and the environment.

We are committed to pursue this principle in line with our core values, decision making, operations and products. During the year under review, the Group embarked on various CSR projects which are detailed under the Corporate Sustainability Statement on pages 41 to 49 of the Annual Report.

On the same note, the statements on corporate governance, and risk management and internal control are set out in separate sections in the Annual Report.

PROSPECTS AND CHALLENGES FOR 2013

The global economic outlook is expected to improve in 2013 although the pace of recovery in the advanced economies is likely to be weak compared with emerging economies. For most economies, domestic demand remains the key driver of growth.

Malaysia's economy is projected to grow steadily by 5% - 6% in 2013 anchored by the resilient domestic demand and supported by the gradual improvement in the external sector. Private investment is expected to remain strong driven by capacity expansion of domestic-oriented firms and ongoing implementation of projects with long gestation projects. However, challenges from the external

environment like the potential re-emergence of instability in the eurozone or slower growth in Malaysia's major trading partners may affect the Malaysian economy.

The Group's business divisions are predominantly within the ASEAN region and China where economies are robust with strong domestic consumption and this will augur well for the Group.

The Group has set RM536 million in capital commitments to invest in building new capacity and capability to grow its core businesses both domestically and regionally together with downstream activities. With a strong cash flow and financial position, the Group is well positioned to undertake investment opportunities to further enhance shareholder value.

On the whole, the Group is optimistic that PPB Group would perform well in 2013. Notwithstanding this, PPB Group's overall financial performance will continue to depend largely on Wilmar's performance for the year.

DIRECTORATE

During the year, there were several changes in the Board as follows :

- Mr Tan Gee Sooi retired as Managing Director and Director, and Mr Lim Soon Huat was re-designated as Managing Director with effect from 1 July 2012. On behalf of the Board, I wish to record our sincere thanks and appreciation for Mr Tan Gee Sooi's past contributions to the Group.
- On 23 August 2012, Dato Sri Liang Kim Bang passed away and on behalf of the Board, I wish to record our deepest appreciation for Dato Sri Liang's invaluable contributions to the PPB Group since he was first appointed a Director of the Company in 1995.
- We were pleased to welcome Messrs Ong Hung Hock and Soh Chin Teck, who joined the Board on 1 July 2012 and 8 October 2012 respectively. Mr Ong is a Non-independent Non-executive Director, and is also a member of the Nomination Committee. Mr Soh is an Independent Non-executive Director; Chairman of the Audit Committee and also a member of the Nomination Committee.

YM Raja Dato' Seri Abdul Aziz bin Raja Salim will retire at the forthcoming Annual General Meeting and has decided not to seek re-appointment. On behalf of the Board, I wish to record our thanks and appreciation for his services and contribution to the Group.

APPRECIATION

Our success through the years has been the result of the hard work and dedication of our employees throughout the Group and on behalf of the Board, I thank them for their efforts. To my fellow Board members, I wish to extend my sincere appreciation for their contribution, guidance and support. Last but not least, I wish to thank our shareholders, customers, business associates and other stakeholders for their continued support.

Datuk Oh Siew Nam
Chairman

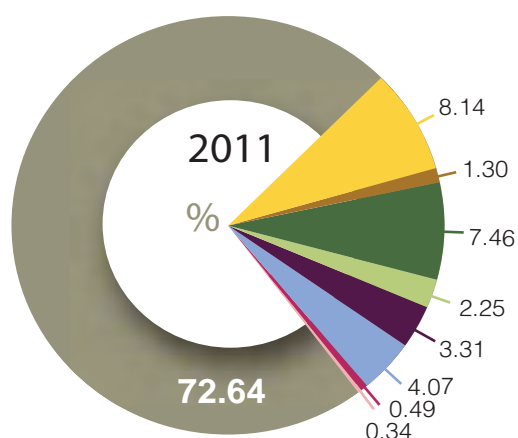
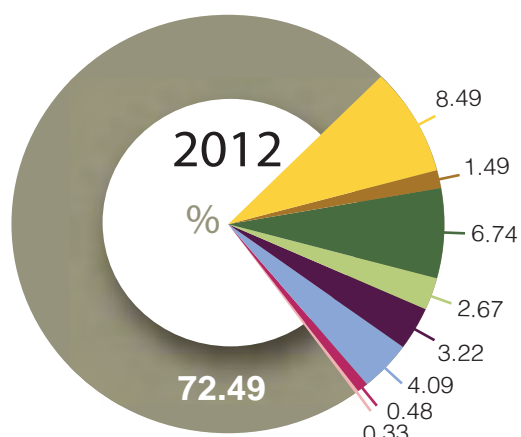
29 March 2013

GROUP FINANCIAL HIGHLIGHTS

		2012 RM' Million	2011 RM' Million	% Change
INCOME STATEMENT				
Revenue		3,017.926	2,710.539	11.3
Profit before tax		916.814	1,056.580	-13.2
Profit for the year		868.197	1,012.508	-14.3
Profit attributable to owners of the parent		842.152	980.372	-14.1
STATEMENT OF FINANCIAL POSITION				
Equity attributable to owners of the parent		14,271.375	14,061.611	1.5
Total equity		14,765.371	14,565.126	1.4
RATIOS				
Return on net assets attributable to owners of the parent	%	5.90	6.97	
Earnings per share	sen	71.04	82.70	
Interest coverage	times	108.17	182.92	
Current ratio	times	3.34	4.27	
Total borrowings/Equity	%	2.53	1.77	
Long-term borrowings/Equity	%	0.58	0.31	
Net assets per share attributable to owners of the parent	RM	12.04	11.86	
Operating cash flow per share	sen	11.97	(1.68)	
PE ratio	times	16.33	20.74	
Net dividend per share	sen	20.00	23.00	
31 December closing price	RM	11.60	17.16	

SIMPLIFIED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS



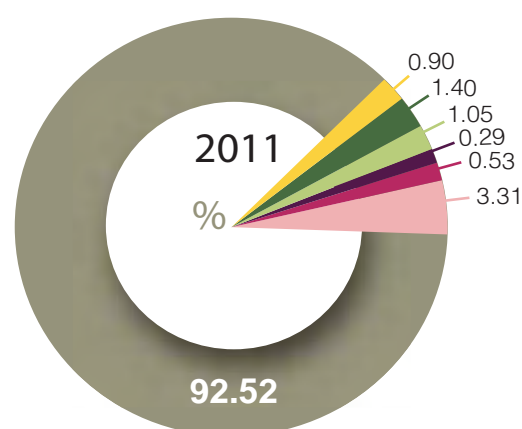
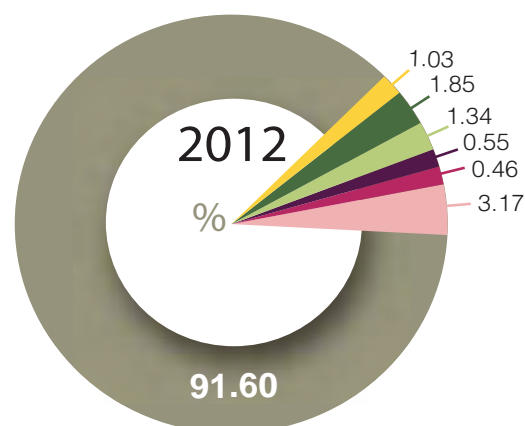
NON-CURRENT ASSETS

- Property, plant and equipment, investment properties, biological assets and other intangible assets
- Associates
- Jointly controlled entity
- Goodwill
- Other non-current assets

CURRENT ASSETS

- Inventories, biological assets and other intangible assets
- Trade receivables
- Cash, bank balances and deposits
- Other current assets

EQUITY & LIABILITIES



CURRENT LIABILITIES

- Trade payables
- Short-term borrowings
- Other current liabilities

NON-CURRENT LIABILITIES & EQUITY

- Long-term borrowings
- Other non-current liabilities
- Equity attributable to owners of the parent
- Non-controlling interests

DIRECTORS' PROFILES



DATUK OH SIEW NAM, 74

Chairman

Non-independent Executive Director

Member of Remuneration Committee

Date of Appointment

Director - 2 March 1988

Executive Chairman - 1 July 2004

Chairman - 1 February 2008

Qualifications and Experience

- Bachelor of Engineering (Honours) degree in Electrical Engineering from the University of Canterbury, New Zealand.
- Assistant Controller of Telecom Malaysia for 5 years before joining FFM Berhad ("FFM") Group in 1968.
- Managing Director of FFM from 1982 to 2002, and Executive Chairman from 2002 to 2006.
- Board member of Bank Negara Malaysia since 1989.
- Served as a member of the Capital Issues Committee and the National Economic Consultative Council II (MAPEN II).
- Chairman of PPB Oil Palms Berhad from 2004 to 2007.

Other Directorships in Public Companies

Kuok Foundation Berhad



MR LIM SOON HUAT, 48
Managing Director
Non-independent Executive Director

Date of Appointment
 Director - 29 May 2008
 Managing Director - 1 July 2012

Qualifications and Experience

- Bachelor of Science (Honours) degree in Statistics from Universiti Kebangsaan Malaysia.
- Many years of management experience in the field of finance, commodities trading, consumer goods manufacturing and marketing, hotel investments, sugar cane plantation and sugar milling operation.
- Held various senior executive positions in the Kuok Group of companies in Singapore, Thailand, Hong Kong, China and Indonesia.

Other Directorships in Public Companies

Ponderosa Golf & Country Resort Berhad



MR SOH CHIN TECK, 55
Independent Non-executive Director
Chairman of Audit Committee
Member of Nomination Committee

Date of Appointment
 8 October 2012

Qualifications and Experience

- Bachelor of Economics, Monash University, Melbourne, Australia.
- Masters in Business Administration – International Management, RMIT University, Australia.
- Fellow member of the Institute of Chartered Accountants Australia.
- Member of the Malaysian Institute of Accountants.
- More than 13 years experience and held various senior positions in member firms of Deloitte in Singapore, Sydney and Kuala Lumpur.
- Former Executive Director and General Manager of CSR Building Materials (M) Sdn Bhd.
- Former Business Director and board member of Rockwool Malaysia Sdn Bhd.
- Former Chairman of FMM-Malaysian Insulation Manufacturers Group.
- Independent director of Transmile Group Berhad from 2007 to 2008.

Other Directorships in Public Companies

Nil

DIRECTORS' PROFILES



YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM, 74

*Independent Non-executive Director
Chairman of Nomination Committee
Member of Audit Committee*

Date of Appointment
12 May 2003

Qualifications and Experience

- Fellow of the Chartered Association of Certified Accountants, United Kingdom.
- Fellow of the Chartered Institute of Management Accountants, United Kingdom.
- Member of the Malaysian Institute of Accountants.
- Honorary Fellow of the Malaysian Institute of Taxation.
- Former Director-General of Inland Revenue, Malaysia.
- Former Accountant-General of Malaysia.

Other Directorships in Public Companies

K & N Kenanga Holdings Berhad
Kenanga Investment Bank Berhad
Kenanga Investors Berhad
Kenanga Islamic Investors Berhad
Gamuda Berhad
Panasonic Manufacturing Malaysia Berhad
Southern Steel Berhad
Hong Leong Industries Berhad



DATO' CAPT AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID, 63

*Independent Non-executive Director
Chairman of Remuneration Committee
Member of Audit Committee*

Date of Appointment
22 June 2009

Qualifications and Experience

- Qualified as a Master Mariner with a Masters Foreign-going Certificate of Competency from the United Kingdom in 1974.
- Obtained a Diploma in Applied International Management from the Swedish Institute of Management in 1984.
- Attended the Advanced Management Program at Harvard University in 1993.
- Fellow of the Chartered Institute of Logistics and Transport and the Institut Kelautan Malaysia.
- Has over 40 years experience in the international maritime industry.

Other Directorships in Public Companies

WCT Berhad
Malaysian Bulk Carriers Berhad
Alam Maritim Resources Berhad
GD Express Carrier Berhad



MR ONG HUNG HOCK, 59

*Non-independent Non-executive Director
Member of Nomination Committee*

Date of Appointment
1 July 2012

Qualifications and Experience

- Bachelor of Arts (Honours), University of Malaya.
- Held executive positions in marketing in various companies before joining FFM Berhad ("FFM") group in 1980.
- Previous Managing Director and Executive Chairman of FFM Marketing Sdn Bhd ("FMSB") and is presently Chairman of FMSB.
- Appointed a Director of FFM in October 2004 and has been Managing Director of FFM since March 2011.

Other Directorships in Public Companies

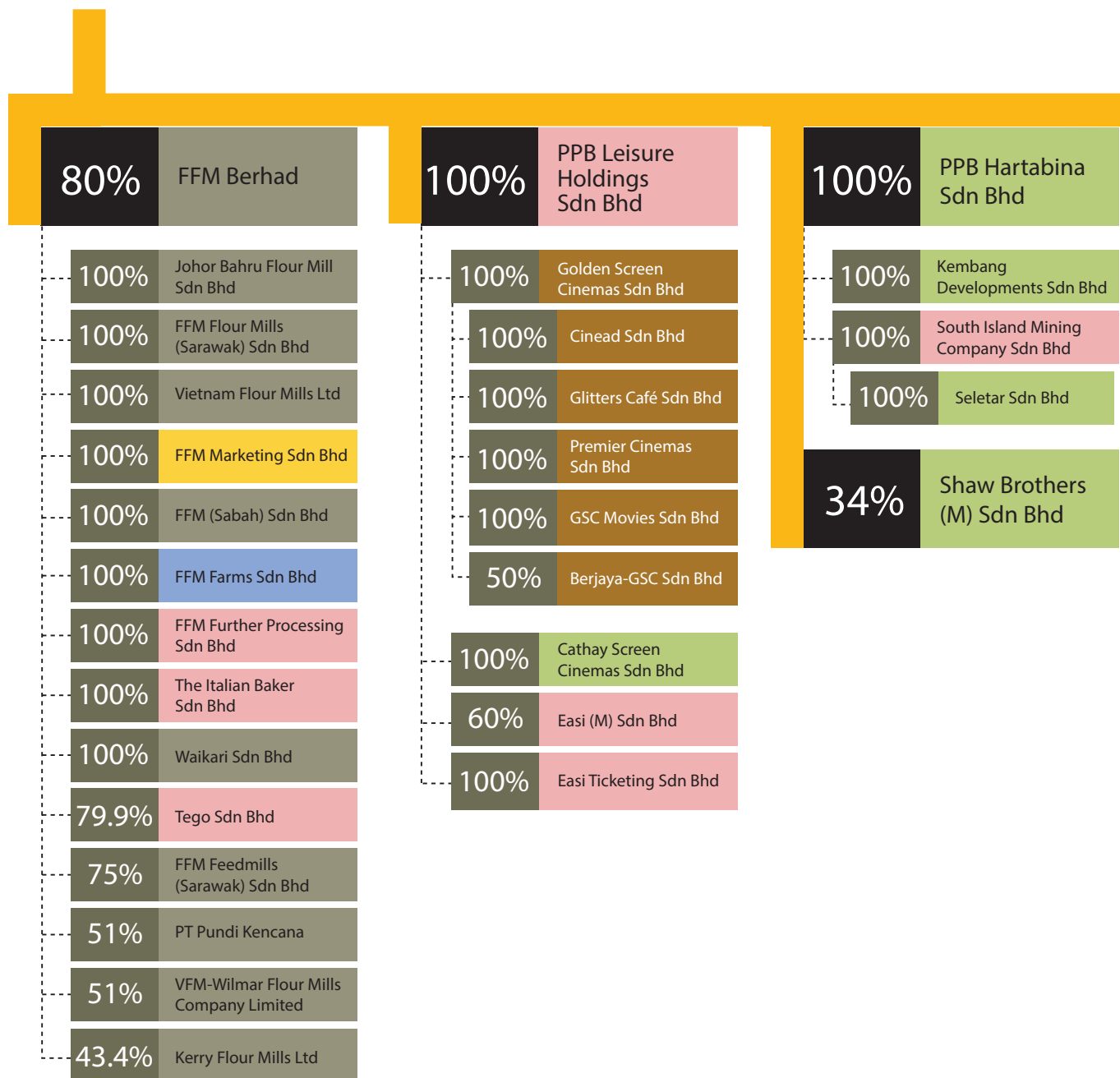
Nil

NOTES

1. All the Directors are Malaysians.
2. None of the Directors has any family relationship with any other Director and/or major shareholder of the Company, nor any conflict of interest with the Company.
3. None of the Directors had any convictions for any offences other than traffic offences within the past ten years.

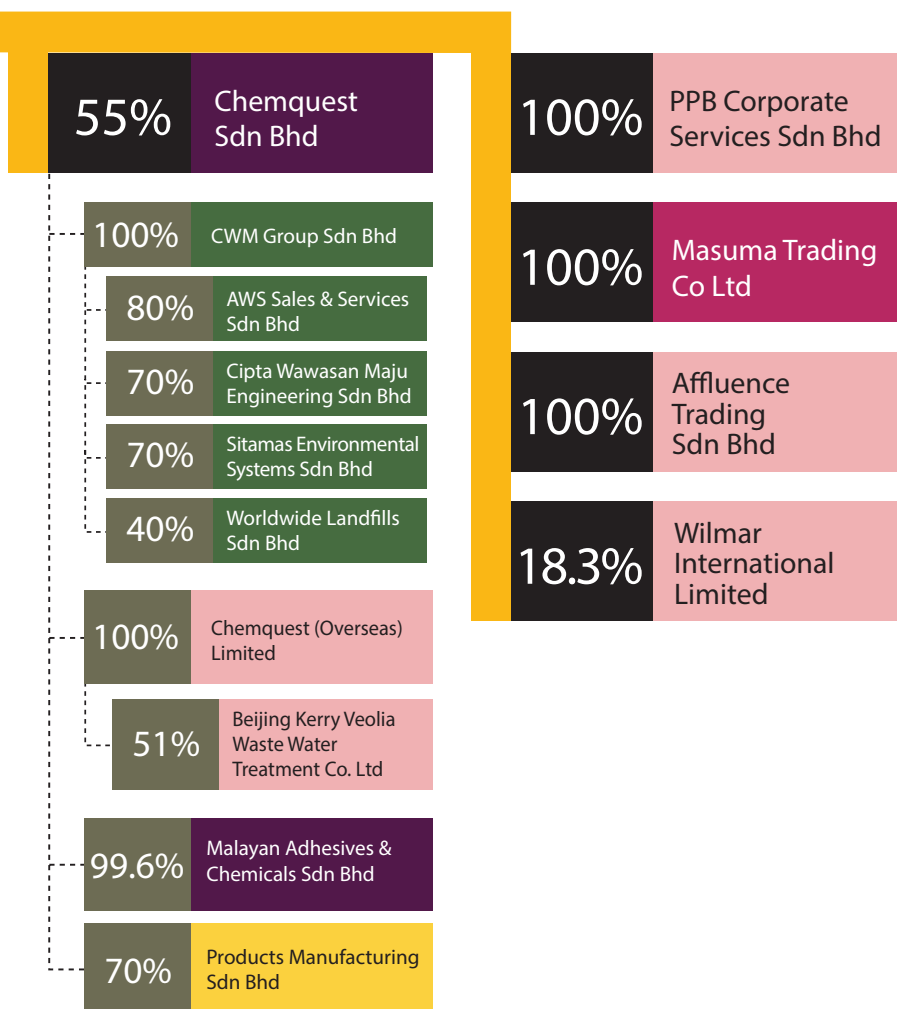


PPB GROUP BERHAD



CORPORATE STRUCTURE

AS AT 29 March 2013



This chart features the main operating companies and does not include dormant and inactive companies.

Percentages shown indicate the Group's direct equity interest held.

- Grains trading, flour & feed milling
- Marketing, distribution & manufacturing of consumer products
- Film exhibition & distribution
- Environmental engineering, waste management & utilities
- Property investment & development
- Chemicals trading & manufacturing
- Livestock farming
- Investments in equities
- Other operations

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Oh Siew Nam
Chairman

Mr Lim Soon Huat
Managing Director

Mr Soh Chin Teck
Independent Non-executive Director

YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Independent Non-executive Director

Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid
Independent Non-executive Director

Mr Ong Hung Hock
Non-independent Non-executive Director

AUDIT COMMITTEE

Mr Soh Chin Teck
Chairman

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid

NOMINATION COMMITTEE

YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Chairman

Mr Ong Hung Hock

Mr Soh Chin Teck

REMUNERATION COMMITTEE

Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid
Chairman

Datuk Oh Siew Nam

COMPANY SECRETARY

Mr Mah Teck Keong

REGISTERED OFFICE

12th Floor UBN Tower
10 Jalan P Ramlee
50250 Kuala Lumpur
Telephone : 03-2726 0088
Facsimile : 03-2726 0099
Website : www.ppbgroup.com

PRINCIPAL BANKERS

Malayan Banking Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Amanah Malaysia Berhad

AUDITORS

Mazars
7th Floor South Block
Wisma Selangor Dredging
142-A Jalan Ampang
50450 Kuala Lumpur

REGISTRAR

PPB Corporate Services Sdn Bhd
12th Floor UBN Tower
10 Jalan P Ramlee
50250 Kuala Lumpur
Telephone : 03-2726 0088
Facsimile : 03-2726 0099

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)
Sector : Consumer Products
Stock Name : PPB
Stock Number : 4065
ISIN : MYL406500008
Reuters Code : PEPT.KL

PPB'S CORPORATE EVENTS AND INVESTOR RELATIONS ACTIVITIES IN 2012

06 MARCH
2012

A Press and Analyst Briefing was held to review the financial results for the year ended 31 December 2011 and other matters.

24 MAY
2012

The 43rd Annual General Meeting (AGM) of PPB was held to receive the audited financial statements for the year ended 31 December 2011 and approve other related AGM matters.

12 SEPTEMBER
2012

Release of e-Investor Update for the 2nd Quarter ended 30 June 2012.

14 MARCH
2012

Release of e-Investor Update for the 4th Quarter ended 31 December 2011.

07 JUNE
2012

Release of e-Investor Update for the 1st Quarter ended 31 March 2012.

10 DECEMBER
2012

Release of e-Investor Update for the 3rd Quarter ended 30 September 2012.

27 APRIL
2012

Release of PPB's 2011 Annual Report and Investor Handbook.

05 SEPTEMBER
2012

A Press and Analyst Briefing was held to review the financial results for the six months ended 30 June 2012 and other matters.

11 DECEMBER
2012

A directors' training session was held and topics included "Key provisions in the proposed Companies Bill"; "The Malaysian Code on Corporate Governance 2012 – Practical challenges for directors of listed companies"; "Highlights of new legislations, viz the Minimum Retirement Age Act 2012, the Minimum Wages Order 2012, the Personal Data Protection Act 2010 and Section 114A of the Evidence Act 1950"; "Social media – Opportunity or threat?"; and "How safe are you?"

FINANCIAL CALENDAR

FINANCIAL YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

RESULTS

1st Quarter ended 31 March 2012	Announced on	24-May-12
2nd Quarter ended 30 June 2012	Announced on	29-Aug-12
3rd Quarter ended 30 September 2012	Announced on	26-Nov-12
4th Quarter ended 31 December 2012	Announced on	27-Feb-13

DIVIDENDS

Interim Single Tier Dividend of 7 sen per share	Declared on	29-Aug-12
	Entitlement Date on	13-Sep-12
	Paid on	28-Sep-12
Proposed Final Single Tier Dividend of 13 sen per share	Announced on	27-Feb-13
	Entitlement Date on	17-May-13
	Payable on	03-Jun-13

CORPORATE GOVERNANCE STATEMENT

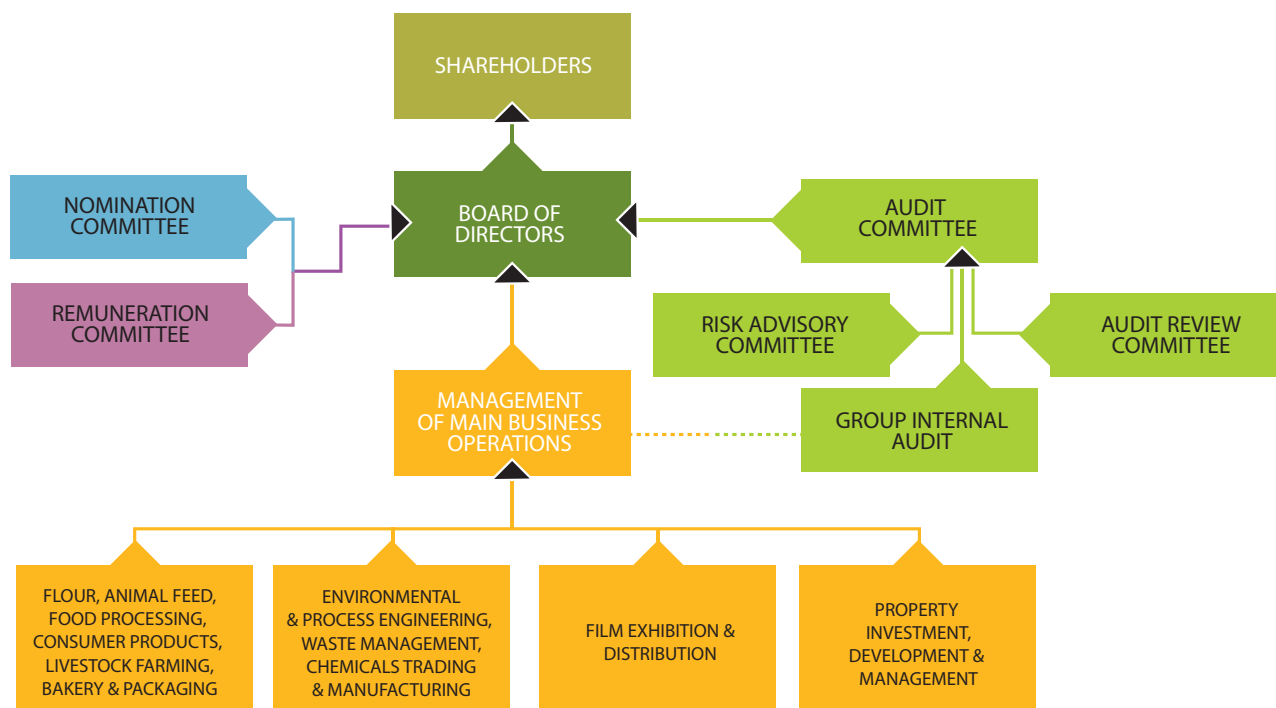
The Board of Directors of PPB Group Berhad is committed to maintaining a high standard of corporate governance and ensuring that effective self-regulatory controls exist throughout PPB and its subsidiaries ("the Group") to safeguard the Group's assets. The Board especially recognizes that good corporate governance encompasses four key areas namely transparency, accountability, integrity and corporate performance.

This statement describes the manner in which PPB Group has applied the principles of good governance and the extent of compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG") issued by the Securities Commission.

The statement outlines the Group's main corporate governance practices and policies in place during the financial year and at the date of this statement, through discussion of :

- i. Clear roles and responsibilities;
- ii. Strengthen composition;
- iii. Reinforce independence;
- iv. Foster commitment;
- v. Uphold integrity in financial reporting;
- vi. Recognise and manage risks;
- vii. Ensure timely and high quality disclosure; and
- viii. Strengthen relationship between Company and shareholders.

CORPORATE GOVERNANCE STRUCTURE



CLEAR ROLES AND RESPONSIBILITIES

BOARD RESPONSIBILITIES AND DUTIES

The Board is responsible for the effective control of PPB Group. The Board is primarily responsible for setting and reviewing the strategic direction of the Group and monitoring the implementation of that strategy by management including :

- Approving the strategic direction of the Group;
- Overseeing the conduct of the Group's businesses;
- Overseeing allocation of Group resources and monitoring the financial performance of the Group;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Monitoring and reviewing the Group's risk management system and internal control;
- Developing and implementing an investor relations programme for the Company for effective communication with shareholders.

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

There is a clear division of responsibilities in the Company. The Chairman represents the Board to shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group. The Chairman also ensures that management proposals are deliberated by Directors, executive and non-executive alike, and examined taking into account the interests of shareholders and other stakeholders.

The Managing Director is responsible for overseeing the business developments and operations as well as coordinating and implementing corporate strategies adopted by the Board. The non-executive Directors of calibre and experience provide the necessary balance of power and authority to the Board. The independent non-executive Directors provide unbiased and independent views to safeguard the interest of minority shareholders.

BOARD CHARTER

The Board has adopted a charter, which sets out the Company's strategy and outlines the Board's roles and responsibilities, the Group's vision and mission, policies and strategy. The charter also serves as a source of reference and primary induction literature, providing insights to new Board members. The charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

BOARD COMPOSITION

There are presently six Directors on the Board comprising two executive Directors and four non-executive Directors, of whom three are independent.

Recommendation 3.5 of MCGG 2012 states that where the Chairman of the Board is not an independent Director, the board must comprise a majority of independent directors. Although PPB has departed from Recommendation 3.5, the Board believes that the interests of shareholders are better served by a Chairman and a team of Board members who act collectively in the best overall interests of shareholders.

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 Directors' profiles are presented on pages 18 to 21 of this Annual Report.

The Company does not presently have a formal gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent regardless of gender, to maximise the effectiveness of the board; taking into account the balance of skills, experience, knowledge and independence, and based on the Group's needs and circumstances.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, Directors who are appointed by the Board are subject to election by shareholders at the next annual general meeting following their appointment. The Articles also provide that at least one third of the Board including the Managing Director shall be subject to re-election annually and each Director shall stand for re-election at least once every three years.

BOARD COMMITTEES

The three Board Committees assist the Board in its oversight functions. The functions of the Committees are governed by clearly defined terms of references, which are reviewed periodically to ensure that they are relevant and up-to-date. The three Board Committees are as follows :

- i. Audit Committee
- ii. Nomination Committee
- iii. Remuneration Committee

Each Committee submits reports of their respective deliberations and recommendations to the Board. All deliberation and recommendations are minuted, and confirmed by the respective Committee Chairmen at the following Committee meeting.

Audit Committee

Responsibilities

- The principal functions of the Audit Committee are to ensure that the financial statements comply with applicable financial reporting standards, and to assess the suitability and independence of external auditors.
- The Audit Committee also assesses the effectiveness of the Group's enterprise-wide risk management and internal control framework.
- The summarised terms of reference of the Audit Committee are set out in the Audit Committee Report on page 36 of the Annual Report.

Nomination Committee

Responsibilities

- Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- 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 the Directors.

The Nomination Committee comprises three non-executive Directors of whom two are independent. They are YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Chairman), Mr Ong Hung Hock and Mr Soh Chin Teck.

Decisions on Board appointments are made by the Board after considering the Committee's assessment of the candidate and recommendation thereon. During the financial year ended 31 December 2012, the Nomination Committee held three meetings.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

Responsibilities

- To review the remuneration packages of executive Directors.
- To recommend the executive Directors' remuneration based on their performance and in line with corporate objectives.

The members of this Committee are Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman and independent Director) and Datuk Oh Siew Nam. The Board is of the opinion that the present composition of the Remuneration Committee is able to carry out its responsibilities under its terms of reference. During the financial year ended 31 December 2012, the Remuneration Committee held three meetings.

BOARD MEETINGS

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 2012, the Board met four times and the record of the attendance of each Director is set out below :

Name of Director	Attendance	% of attendance
Datuk Oh Siew Nam	4	100
Lim Soon Huat	4	100
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4	100
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	4	100
Ong Hung Hock (Appointed on 1 July 2012)	2	100
Soh Chin Teck (Appointed on 8 October 2012)	1	100
Tan Gee Sooi (Retired on 1 July 2012)	2	100
Dato Sri Liang Kim Bang (Passed away on 23 August 2012)	1	50

SUPPLY OF INFORMATION

The Chairman plays a key role to ensure that all Directors have full and timely access to information. Directors are provided with an agenda and a set of board papers issued in sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues deliberated and where necessary, to obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group. At each Board Meeting, Directors are briefed on the Group's activities and operations by the chief executives of the principal subsidiaries.

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

There is a schedule of matters reserved specifically for the Board's decision, including amongst others, the overall Group strategy and direction, approval of financial results, corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and capital expenditures. This ensures that the governance of the Group is in the Board's hands.

STRENGTHEN COMPOSITION

The Board strives to achieve a balance of skills, experience, diversity and perspective among its Directors.

The Nomination Committee conducts an annual review of the size and composition of the Board, taking into consideration the required mix of skills, competencies and experience relevant to the business of PPB Group.

An assessment of the Board's performance is carried out every year, including the Independent Directors' performance. For the year under review, the Board is satisfied with the existing number and composition of its members and is of the view that with the current mix of skills, knowledge, experience and strengths, the Board is able to discharge its duties and responsibilities effectively.

DIRECTORS' REMUNERATION

The Board, with the assistance of the Remuneration Committee, reviews the overall remuneration policy of the executive Directors and non-executive Directors to attract and retain Directors with the relevant experience and expertise to manage the Group successfully.

In the case of executive Directors, their remuneration is structured to link rewards to corporate and individual performance. For the non-executive Directors, the level of remuneration reflects responsibilities undertaken by them. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole subject to shareholders' approval. The Directors are not involved in the approval of their own remuneration package.

The details of the Directors' remuneration on a Group basis for the financial year ended 31 December 2012 are as follows :

All figures in RM'000	Executive Directors	Non-executive Directors
Salary	2,370	-
Fees	78	184
Meeting allowance	7	16
Gratuity	2,700	-
Bonus	4,400	-
Benefits-in-kind	84	-
Employees Provident Fund	907	-
Total	10,546	200

The aggregate remuneration of Directors analysed into the appropriate RM50,000 bands are as follows :

	Executive Directors	Non-executive Directors
Up to RM50,000	-	1
RM50,001 – RM100,000	-	3
RM1,000,001 – RM1,050,000	1	-
RM1,750,001 – RM1,800,000	-	1
RM3,100,001 – RM3,150,000	1	-
RM4,600,001 – RM4,650,000	1	-

Note : Successive bands of RM50,000 are not shown in entirety as they are not represented.

REINFORCE INDEPENDENCE

The Board considers the importance of significant representation by Directors who are capable and willing to make decisions in the best interest of shareholders free from conflicts of interest and influences, and are also independent of management.

Independent Directors are those who have the ability to exercise their duties and express their views unfettered by familiarity, or business or other relationships.

PPB's Board currently consists of three Independent Non-executive Directors. The number of independent directors is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") which requires at least one third of the Board to comprise independent directors. The Independent Non-executive Directors are persons of calibre and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board. The criteria for independence observed by the Company broadly encapsulate independence from management and the absence of conflicting business relationships which could interfere with the Independent Director's judgement and ability to contribute to the Board's deliberations, or which could interfere with the Director's ability to act in the best interest of the Company. The criteria for independence set out in the MMLR also form the basis for evaluation of independence.

The Independent Directors provide broader views, and an independent and balanced assessment of proposals. The Board has appointed YM Raja Dato' Seri Abdul Aziz bin Raja Salim as the Senior Independent Non-executive Director of the Board to whom concerns of the Group may be conveyed.

CONFLICT OF INTEREST

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction or matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships. Each Director is required to disclose any interest in a transaction. If so, the Director abstains from deliberations and decisions of the Board on the subject.

FOSTER COMMITMENT

COMMITMENT BY THE BOARD

Directors are expected to commit sufficient time to carry out their responsibilities. Nominees for appointment as Directors disclose to the Board details of their working, business and other interests. In line with the MMLR, all Directors of PPB are in compliance with the limits on directorships in other companies.

DIRECTORS' TRAINING

There is a familiarization programme for new Board members including, where appropriate, visits to the Group's businesses and meetings with senior management to facilitate their understanding of the Group's businesses and operations.

The Directors have access to continuing educational or training courses and seminars to keep abreast with market and regulatory developments. An in-house training session for directors and senior management was also held during the financial year ended 31 December 2012. The topics selected are based on subjects which are relevant to the Group, and included the following :

- Key provisions in the proposed Companies Bill.
- The Malaysian Code on Corporate Governance 2012 – Practical challenges for directors of listed companies.
- Highlights of new legislations, viz the Minimum Retirement Age Act 2012, the Minimum Wages Order 2012, the Personal Data Protection Act 2010 and Section 114A of the Evidence Act 1950.
- Social media – Opportunity or threat?

All the Directors attended the above session and/or other training sessions conducted externally.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

FINANCIAL REPORTING

The Board strives to provide a balanced and fair assessment of the Group's financial performance and prospects via the audited financial statements and quarterly financial reports as well as through disclosures in accordance with the MMLR.

The Board is assisted by the Audit Committee to oversee the integrity of the Group's financial reporting and as part of these roles, the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes comply with applicable financial reporting standards.

For the year under review, two sessions were held between the Audit Committee and the external auditors in the absence of the management as part of the Company's practice for greater exchange of views in relation to the financial reporting and auditing process.

The Audit Committee has on 29 August 2012 adopted a set of "Policies and Procedures to Assess the Suitability and Independence of External Auditors".

RECOGNISE AND MANAGE RISKS

INTERNAL CONTROL

The ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Group's system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's corporate objectives as well as to safeguard shareholders' investments and the Company's assets.

The Statement on Risk Management and Internal Control set out on pages 39 and 40 of this Annual Report provides an overview of the state of risk management and internal control within PPB Group.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

PPB seeks to release price-sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR, and to the market and community generally through media releases, the website and appropriate channels.

The Company has an existing Investor Relations Policy through which it exercises its commitment to achieving best practice in terms of disclosure by acting in accordance with the spirit, intention and purpose of the applicable regulatory requirements and by looking beyond form to substance, and reflects the relevant obligations prescribed by the MMLR.

INSIDER TRADING

Directors and senior management of PPB are prohibited from dealing in securities if they have knowledge of any price-sensitive information which has not been publicly disclosed in accordance with the MMLR and the relevant regulatory provisions. Prior notification of closed periods for dealing in PPB's securities are circulated to Directors and senior management deemed to be privy to price-sensitive information.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board of PPB is committed to providing shareholders, the investing community, the media and other stakeholders with accurate, clear, timely and equal access to material information pertaining to the Company's performance and operations.

The Company's Investor Relations Policy provides a framework for the Board, management and relevant staff to communicate effectively with shareholders, investors, other stakeholders and the public generally. The policy is being reviewed and updated to encompass the following objectives :

- To raise awareness and provide guidance to the Board and employees of PPB Group on the Company's disclosure obligations and practices;
- To provide policies and guidelines in disseminating information to, and in dealing with shareholders, financial analysts, media, regulators, the investing community and other stakeholders;
- To ensure compliance with applicable legal and regulatory requirements on disclosure of material information; and
- To build good relations with the investing community to foster trust and confidence.

INVESTOR RELATIONS PROGRAMME

The Company has an active investor relations programme directed at both individual and institutional investors. The Company's investor relations mission is to maintain ongoing awareness of the Company's performance amongst shareholders, media and the investing community. The Company's investor relations programme focuses on transparency of disclosure and timely dissemination of information.

i. Sources of Information

The principal sources of information disseminated by the Company during the year include :

- PPB's annual report which aims to give readers a comprehensive picture of PPB Group's businesses and performance for the financial year under review.
- Quarterly Investor Updates designed as e-newsletters are posted at its corporate website. The Investor Update contains financial results, reports and articles on the Group's operations as well as significant events during the quarter under review.
- The Investor Handbook published annually provides an overview of the Group's operations and serves as a convenient reference guide.
- News releases to announce financial results and important events relating to the Group via the local media and the company website.
- The Company's website, www.ppbgroup.com where information on the Group, its businesses, financial data, annual reports, Investor Handbook and Investor Updates can be easily downloaded.

ii. Direct Meetings

PPB's policy is to maintain an active dialogue with shareholders with the objective of giving a clearer picture of the Company's performance. At the Company's annual general meetings, shareholders can express their views or raise questions in relation to the Group's financial performance and business operations. Members of the Board as well as the auditors of the Company are present to answer questions raised at the meeting.

The Company conducts analyst briefings twice a year after the half-yearly and final results are released to Bursa Securities to provide regular dialogues between senior management and the investing community. Media conferences are also held together with these briefings for consistent dissemination of information to the public. On these occasions, the Managing Director of PPB and chief executives of the principal subsidiaries are present to address questions on the Group's businesses.

At other times, the Company makes every attempt to meet requests for meetings or information from the investing community.

While the Company endeavours to provide as much information as practicable, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

iii. **Queries and Feedback**

PPB welcomes inquiries and feedback from shareholders and the investing community. The Corporate Affairs Department of the Company provides investors with a channel of communication through which they can provide feedback to the Company.

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

1. YM Raja Dato' Seri Abdul Aziz bin Raja Salim, Senior Independent Non-executive Director
Telephone number : 03-27260088
Facsimile number : 03-27260099
2. Koh Mei Lee, Senior Manager (Corporate Affairs)
Telephone number : 03-27260088
Facsimile number : 03-27260198
E-mail address : corporateaffairs@ppb.com.my

Datuk Oh Siew Nam
Chairman

Soh Chin Teck
Independent Non-executive Director

27 February 2013

AUDIT COMMITTEE REPORT

COMPOSITION

The members of the Audit Committee ("AC") during the financial year ended 31 December 2012 comprised the following Directors :

Name of AC member	Membership	Directorship
Soh Chin Teck (Appointed on 8 October 2012)	Chairman	Independent Non-executive
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	Member	Independent Non-executive
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	Member	Independent Non-executive
Dato Sri Liang Kim Bang (Passed away on 23 August 2012)	Chairman	Independent Non-executive

TERMS OF REFERENCE

The terms of reference of the AC are summarized as follows :

- (1) review the following and report the same to the Board of Directors of the Company :
 - a. with the external auditors, the audit plan, their evaluation of the system of internal control and their audit report;
 - b. the assistance given by the employees of the Company to the external auditors;
 - c. the adequacy of the scope, functions, performance, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - d. the internal audit programme, processes including investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - e. the quarterly results and year-end financial statements, prior to approval by the Board of Directors.
 - f. 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;
 - g. any letter of resignation from the external auditors of the Company; and
 - h. whether there is reason to believe that the Company's external auditors are not suitable for re-appointment;
- (2) recommend the nomination of a person(s) as external auditors;
- (3) assess, review and monitor the suitability and independence of external auditors, including obtaining written assurance from them to confirm that they are and have been independent throughout the conduct of the audit engagement; and
- (4) establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into with the external auditors and procedures that they must follow.

MEETINGS

The number of meetings of the AC held during the financial year ended 31 December 2012 and details of attendance of each committee member are as follows :

Name of AC member	Number of Audit Committee Meetings	
	Held	Attended
Soh Chin Teck (Appointed on 8 October 2012)	1	1
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4	4
Dato' Capt Ahmad Sufian @ Qurnain Bin Abdul Rashid	4	4
Dato Sri Liang Kim Bang (Passed away on 23 August 2012)	2	2

ACTIVITIES

During the financial year ended 31 December 2012, the AC performed the duties specified in its terms of reference. In performing its duties, the AC inter-alia :

1. reviewed with Mazars the audit plan, the audit report, their evaluation of the system of internal control and the assistance given by the Group's officers to them;
2. reviewed with the internal auditors their audit reports, approved their audit plan, scope and audit approach including assessing their performance, competency and adequacy of their resources;
3. reviewed the Group's quarterly results and year-end financial statements prior to submission to the Board of Directors;
4. reviewed the Audit Committee Report and Statement on Internal Control for inclusion in the annual report;
5. reviewed half-yearly reports on the Group's top risks and management action plans to manage the risks;
6. reviewed related party transactions within the Group;
7. recommended the nomination of Mazars for re-appointment as external auditors; and
8. visited the head offices of CWM Group Sdn Bhd and Golden Screen Cinemas Sdn Bhd, two of the Group's subsidiaries.

INTERNAL AUDIT FUNCTION

The internal audit function of PPB and its subsidiaries (the Group) is performed in-house by staff of the PPB Internal Audit Department ("PPBIAD"). PPBIAD reports directly to the AC and is independent of the activities they audit.

The total cost incurred by PPBIAD for the internal audit function of the Group for the financial year ended 31 December 2012 was RM1.61 million.

ACTIVITIES OF THE INTERNAL AUDIT DEPARTMENT

The activities of PPBIAD are guided by its Remit and the annual audit plan approved by the AC.

During the financial year ended 31 December 2012, PPBIAD reviewed the adequacy and integrity of the Group's systems of internal control covering both financial as well as non-financial controls. The effectiveness of the Group's Enterprise Risk Management system was also evaluated. The audits focused on key controls to manage risks, safeguard assets, ensure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations.

Soh Chin Teck

Chairman

(Independent Non-executive Director)

27 February 2013



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

There is an on-going review process by the Board to ensure the adequacy and effectiveness of the system to meet the Group's objectives and strategies. This process includes determining the Group's risk appetite and level of risk tolerance for its top risks.

The main features of the Group's system of risk management and internal control are summarized as follows :-

1. Control environment

The Board considers the integrity of staff at all levels to be of utmost importance, and this is pursued through comprehensive recruitment, appraisal and reward programmes. There is an effective Group organisation structure within which business activities are planned, controlled and monitored.

The Group's culture and values, and the standard of conduct and discipline it expects from its employees have been communicated to them via the employee handbook or letters of appointment.

2. Risk management

The Board has established a formal group-wide enterprise risk management system covering the Group's core business activities to identify, evaluate and manage significant business risks faced by the Group.

This process has been in place throughout the year and is regularly reviewed by the Audit Committee for its adequacy and effectiveness and reported accordingly to the Board.

The main features of the Group's risk management framework are :-

- A formal risk policy and guideline have been established and approved by the Board and communicated to employees throughout the Group;
- A risk reporting structure which outlines the lines of reporting and responsibilities of the Board, Audit Committee, Risk Advisory Committee and the various subsidiary risk committees, has been established and approved;
- The group-wide risk assessment process includes identifying the key risks, potential impact and likelihood of those risks occurring, the control effectiveness and adopting the appropriate action plans to mitigate those risks to within the Group's risk appetite and tolerance;
- The Risk Advisory Committee provides reports on the risk profile of the Group to the Audit Committee for review, and the Audit Committee reports on the significant risks and controls available to mitigate those risks to the Board for its consideration;
- The appointment of a Chief Risk Officer at the holding company and risk officers at the subsidiaries to ensure leadership, direction and coordination of the group-wide application of risk management; and
- On-going risk management education and training is provided at management and staff levels.

3. Control activities

The Board has in place a system to ensure that there are adequate and effective risk management, financial and operational policies and procedures and rules relating to the delegation and segregation of duties.

There are comprehensive budgets, requiring board approval, which are reviewed and revised on a regular basis, with performance monitored against them and explanations sought for significant variances.



STATEMENT ON

RISK MANAGEMENT AND INTERNAL CONTROL

4. Information and communication

There is a system of financial reporting to the Board, based on quarterly results and annual budgets. Key risks and operational performance indicators are continuously monitored and reported to the Board.

5. Monitoring

Monitoring of the Group's significant business risks is embedded within the Group's risk management process described in item 2 above. A control self-assessment system is also in place for management to monitor critical and routine risk areas under their jurisdiction using an internal control checklist.

The adequacy and effectiveness of the Group's risk management, internal control and governance processes are reviewed and monitored by the Audit Committee, which receives regular reports from the internal auditors. Formal procedures are in place for actions to be taken to remedy any significant failing or weaknesses identified in these reports.

There were no significant risk management and internal control failings or weaknesses which had resulted in material losses or contingencies during the financial year.

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

Based on the foregoing, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. However, such a system is designed to manage rather than eliminate the risk of failure. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group's system of risk management and internal control applies principally to PPB Group Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management and control over them.

27 February 2013

CORPORATE SUSTAINABILITY STATEMENT

CORPORATE RESPONSIBILITY HAS ALWAYS BEEN PART OF PPB GROUP'S VALUES, GUIDING US IN DECISION-MAKING AND OPERATIONS. IT IS IMPORTANT FOR US TO ACHIEVE BUSINESS SUCCESS IN WAYS THAT HONOUR OUR ETHICAL PRINCIPLES AND DEMONSTRATE RESPECT FOR PEOPLE AND THE PLANET. IN TODAY'S COMPETITIVE BUSINESS ENVIRONMENT, OUR EFFORTS HAVE EVOLVED AND TAKEN ON A PROGRESSIVELY STRATEGIC APPROACH, AND IT HELPS US MANAGE AND CREATE WORTH FOR THE COMPANY.

The sustainability and long-term success of PPB Group depend on our access to resources and the strength of relationships developed with key stakeholders – our workforce, business partners, shareholders and the regulators. In addition, it is our Company's firm belief that to continue to make economic returns, we should be an integral part of our community and support it through various initiatives. Our history of continuous improvement in our operations through new technology to minimize harm to the environment, also contributes to our Company's competitiveness in the marketplace. PPB Group recognizes its corporate responsibility to promote a sustainable future and to provide our employees and others who work with us with a safe and healthy work environment.

This Corporate Sustainability Statement outlines PPB Group's positions and actions to promote these goals in 2012.



ENVIRONMENT

We are conscious that the planet belongs not to us, but to future generations, and therefore, we are committed to minimizing the environmental impact of our operations.

We understand the importance of conserving natural resources and strive to make environmental improvements that promote a sustainable future.

PPB Group recognizes that as a socially responsible corporate citizen, environmental protection must be a commitment of our business. As such, PPB Group endeavours to provide quality products and services in a manner that best ensures the environmental integrity of our processes and facilities.

PPB Group's environmental commitment includes :-

- Complying with applicable laws, rules and regulations
- Conducting our business in observance of environmentally sound practices
- Promoting recycling and waste reduction by our employees
- Ensuring the responsible use of energy in our business practices, including energy conservation and improving energy efficiency.

1 RECYCLE, REDUCE AND REUSE

PPB Group seeks to minimize the generation of waste by encouraging the 3Rs. During the head office move in August 2012, PPB reused some of its old furniture and donated old computers and furniture to welfare homes.

Employees have developed a culture of reducing paper and electricity usage, reusing waste plastic materials as well as adopting a paperless system for selected processes.



2 ENERGY CONSERVATION

Energy-saving lights and equipments are used in the office. Office lights are turned off after working hours and during lunch hour to conserve energy.

3 ELECTRONIC PUBLICATIONS

The Annual Report and Investor Handbook of PPB are published in CD-format. Besides that, PPB has ceased distribution of its quarterly Investor Updates in hard copy since the second quarter of 2009 as shareholders are encouraged to view the quarterly publication from PPB's website.

5 "EVERYDAY IS EARTH DAY"



PPB Group raises environmental awareness through organizing events themed **"Everyday is Earth Day"** for its employees and family members. On 17 March 2012, the employees of PPB Group and families together with employees of Majlis Daerah Kuala Selangor and Global Environment Centre, an NGO, gathered at Pantai Remis in Kuala Selangor for a beach clean-up. More than half a tonne of rubbish was collected and sorted by the volunteers. PPB also contributed an "interpretative signboard" and two sets of recycling bins for the beach.

PPB Group employees also participated in the Zoo Volunteer Programme on 1 December 2012 at Zoo Negara where the employees assisted zoo-keepers in the cleaning, food preparation and animal behavioural enrichment activities. To beautify the zoo, PPB also sponsored a "Heliconia Walk" and assisted in the planting of heliconias at designated areas.



4 GOING TICKETLESS

Golden Screen Cinemas Sdn Bhd (GSC), a wholly-owned subsidiary of PPB Group, is the first cinema operator in Malaysia to launch a mobile application – GSC Mobile App (iPhone & Android) which enables movie-goers to purchase tickets via m2u mobile, PayPal or "RHB Now" on their smartphones. Patrons are able to enjoy the "ticketless" option by scanning the 2D barcode on their smartphone screens at the selected cinema checkpoints.



WORKPLACE

We help create sustainable economic growth by building human and institutional capacity. Our workforce is encouraged to reach their full potential through training, career development and promotion from within wherever possible.

We provide a safe workplace and recognize the importance for our workforce to feel proud and inspired to work for the Group.



1

BENEFITS

To provide a rewarding and supportive working environment for its 3,700 employees, the Group encourages continual professional and personal development of staff through various training programmes, workshops and seminars. Sports activities within and outside the workplace were held to promote healthier living and the Group also encourages more interaction amongst employees with company trips and get-togethers during the year.



3

NO HARASSMENT

PPB is committed to providing a workplace free from gender discrimination and sexual harassment as well as discrimination and harassment based on race, colour, gender, national origin, marital status, religion, creed or others as protected by law. PPB does not tolerate such discrimination against or harassment of its employees.

2

SMOKE-FREE WORKPLACE

Smoking is not permitted in the offices, corridors, restrooms or other locations inside the PPB Group's office premises.

4 PPB HEALTH AND FITNESS PROGRAMME

On 17 October 2012, PPB launched a walking and running club for its employees known as "PPB WaR Club" with the aim of bringing PPB Group employees together for a common interest whilst promoting health and fitness. PPB has also organized full body conditioning sessions with an external fitness trainer for its employees, who are also given incentives to encourage their continued participation in the club.



COMMUNITY

We believe that it is our duty to contribute and engage with the communities in which we operate, and with society at large. Through our community projects, we hope to develop relationships with and enhance the quality of life of these communities.

We see employee volunteerism gaining strength but regard this as an area in which we can improve going forward.

1 PPB-KF WELFARE FUND FOR PERLIS

PPB established an endowment fund known as the "PPB-KF Welfare Fund for Perlis" in 2010. The Fund of RM10.0 million is managed by Kuok Foundation Berhad, and is utilized to benefit the underprivileged and poor in the state of Perlis and improve their welfare. In 2012, the Fund gave away school uniforms, shoes, socks and school bags complete with stationery sets under the "Educare Project" to poor school-children from Perlis.



2 FESTIVAL CELEBRATIONS

Each year, PPB Group celebrates the main festivals with underprivileged groups by organizing lunches and trips to provide them encouragement, hope and awareness that they are not forgotten during such festivals.

PPB celebrated Chinese New Year (CNY) with the senior citizens of Sungei Way Old Folks Home located in Petaling Jaya with a buffet lunch followed by the making of CNY lanterns to decorate the home. In conjunction with the Hari Raya Aidilfitri celebration, PPB took 41 children from Rumah Kebajikan Baitul Hidayah, Puchong to Aquaria KLCC followed by lunch. Deepavali was celebrated at Tara Bhavan in Kuala Lumpur where the children were given new clothes and schoolbags. Games and a buffet lunch were also organized for them. Not forgetting the refugees, PPB celebrated Christmas with Myanmarese refugee children at United Learning Centre in Jalan Imbi, Kuala Lumpur with lunch, games and Christmas gifts.

PPB donated products manufactured by FFM Group to the above homes and throughout the year, the Group also donated its products to various welfare homes to help relieve their expenses.



3 "BACK TO SCHOOL" PROJECT

PPB gave away school uniforms complete with school shoes, socks and whiteners to poor students from 14 schools in Sentul and Sungai Buloh under the "Back To School" project.

4 "SUDS & SOAP, CLEAN OUR CLOTHES" PROJECT

PPB donated 1,500 packs of concentrated laundry detergent manufactured by the Group to 20 welfare homes for orphans, old folks and the disabled in the Klang Valley. The "Suds & Soap, Clean our Clothes" project was aimed to help homes to save on laundry expenses and enable the residents to enjoy fresh clean clothes.

5 25TH PJ HALF MARATHON



To encourage health and fitness amongst PPB staff in addition to contributing to a charitable cause, a total of 202 PPB Group staff and family members participated in the 25th PJ Half Marathon themed "Run Because You Can". PPB also contributed cash towards the Run which was channelled to welfare homes for the physically challenged.

GSC was the Presenter for the Run and they brought fun to the event with mascot appearances and costumed characters to participate in the 3-km Fun Run. FFM Group contributed Massimo Fun Buns by The Italian Baker Sdn Bhd and V-soy drinks to all participants and supporters.



7 AWARENESS OF ARTS AND CULTURE THROUGH FILM FESTIVALS

In support of the arts, GSC jointly organized film festivals with various foreign embassies to hold the Japanese Film Festival, European Union Film Festival, Latin American Film Festival, Argentine Film Festival, Hong Kong Film Festival, French Film Festival and others to encourage and increase public awareness of the arts and cultures of other countries.



6 SENIOR CITIZENS, WE APPRECIATE YOU

Free movie screenings are organized for senior citizens at GSC cinemas to show appreciation and encourage senior citizens to maintain an active and varied lifestyle.



MARKETPLACE

We are committed to pursue and practise corporate sustainability by ensuring that our operations and practices are managed responsibly and efficiently with high standards of transparency, accountability and integrity in increasingly complex business environments.

1 KEEPING STAKEHOLDERS INFORMED

Recognizing the need to keep stakeholders abreast of the Group's activities, quarterly e-Investor Updates and an annual Investor Handbook are published to enable investors to have a better understanding and assessment of the future and direction of the Group. PPB's company website provides easy access to information on the Group's financials and operations with an email link for stakeholders to provide feedback and make enquiries.



2 QUALITY PRODUCTS

PPB Group continually improves the quality of its food products through product innovation and ensures that its products meet all applicable food regulations and standards. Its food products are properly labeled for better awareness to allow consumers to make healthy choices.





4 MEMBERSHIP IN ASSOCIATIONS

PPB Group operations are actively involved in associations such as the Malaysian Association of Film Exhibitors, Malaysian Feed Millers Association, Federation of Livestock Farmers Association and various other platforms in which PPB Group's businesses are involved to address industry-specific issues.



3 CUSTOMER SERVICE

The Group's operations encourage active consideration of customer feedback and suggestions. In its efforts to improve customer services, the cinema operations are committed to provide disabled-friendly facilities in all new cinemas including hydraulic lifts and easily accessible space in the halls for customers in wheelchairs.

