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THE CORPORATION

*The collective effort of each operation contributed
to an outstanding year marked by
unprecedented growth.*

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
Non-Independent Non-Executive Director

Tan Yew Jin
Non-Independent Non-Executive Director

Michael Oh Aik Teong
(Alternate Director to Dato' Abdul Jabid bin Mohd Don)
Non-Independent Non-Executive Director

Koh Mei Lee
(Alternate Director to Mr Tan Yew Jin)
Non-Independent Executive Director

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

Lee Hishammuddin
Level 16 Menara Phileo
189 Jalan Tun Razak
50400 Kuala Lumpur

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

Principal Bankers

Malayan Banking Berhad
Bumiputra-Commerce Bank Bhd

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
DATUK OH SIEW NAM
DATO' LIM CHEE WAH
DATO' ABDULJABID BIN MOHD DON
DATO SRI LIANG KIM BANG
MR ANG GUAN SENG
MR TAN YEW JIN
MR MICHAELOH AIK TEONG
MS KOH MEI LEE

BOARD OF DIRECTORS' PROFILE

Ong Ie Cheong, 61, 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 PPB from 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 the University of Malaya with a Bachelor of Science degree.

Y. Bhg. Datuk Oh Siew Nam, 64, 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 since 1998 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 (5) years from 1963. He holds a Bachelor of Engineering (Honours) degree in Electrical Engineering from the University of Canterbury, New Zealand.

Y. Bhg. Dato' Lim Chee Wah, 63, 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 the Executive Chairman of Malayan Sugar Manufacturing Co. Berhad and Chairman of Jerneh Asia Berhad. He is also a Director of Kuok Brothers Sdn Bhd and a trustee of Kuok Foundation Berhad. He graduated from the University of Malaya with a Bachelor of Economics (Honours) degree.

Y. Bhg. Dato' Abdul Jabid bin Mohd Don, 73, 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.

Y. Bhg. Dato Sri Liang Kim Bang, 66, 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 is a member of the Nomination Committee of the Company. Dato Sri Liang held various positions in the Sarawak Civil service and prior to his retirement in 1994, he was the Sarawak 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.

Ang Guan Seng, 64, a Malaysian, is a Non-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.

Tan Yew Jin, 62, 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 is an Accountant by profession and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, CPA Australia and the Institute of Certified Public Accountants of Singapore.

Michael Oh Aik Teong, 45, a Malaysian, is a Non-Independent Non-Executive Director of PPB Group Berhad. He was appointed to the Board as an Alternate Director to Dato' Abdul Jabid bin Mohd Don on 16 May 2002. Mr Oh joined in 1992 to help establish the utilities and environmental engineering division of the Group and is presently the Managing Director of Chemquest Group. He had previously worked for Exxon Chemicals Sdn Bhd for 10 years. He graduated from the University of Malaya with a Bachelor of Engineering (Honours) degree, majoring in chemicals.

Koh Mei Lee, 38, a Malaysian, is a Non-Independent Executive Director of PPB Group Berhad. She was appointed to the Board as an Alternate Director to Mr Tan Yew Jin on 16 May 2002. Ms Koh joined PPB Group Berhad in 1990 to oversee the treasury functions of the Group and has undertaken various responsibilities within the Group until her current position as Senior Manager, Corporate Affairs Department. She has been instrumental in the development of the Corporate Affairs Department and her responsibilities include fostering investor relations, corporate development and restructuring as well as mergers and acquisitions. She is also the Chief Executive of Golden Screen Cinemas Sdn Bhd. She graduated from the University of Montevallo, USA with a Bachelor of Business Administration degree (Summa Cum Laude).

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of PPB Group Berhad (“Company”) recognizes and appreciates 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 shareholder value.

In view of this, the Board is pleased to disclose below the manner in which it has applied the principles of good governance and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance (“the Code”) throughout the financial year.

BOARD OF 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 principal risks and implementing appropriate steps to manage these risks, investor relations programme and systems of internal control. The Board has delegated specific responsibilities to four committees, namely, the Audit, Nomination, Remuneration and Risk Advisory 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.

COMPOSITION OF THE BOARD

The Board has seven Directors comprising three Executive Directors and four non-Executive Directors, of whom one is independent. The Board is taking immediate steps to balance the number of Directors to satisfy the requirements of having one third of the Board members as Independent Directors.

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 14 and 15 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 director provides unbiased and independent views to safeguard the interest of minority shareholders.

The Board has appointed Dato Sri Liang Kim Bang as the Senior Independent Non-Executive Director of the Board to whom concerns of the Group may be conveyed.

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

FEB 28
Release of the 4th Quarter Report for
the year ended 31 December 2001.

MARCH 1
A press briefing was held to review the
financial results for the year ended 31
December 2001.

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 2002, the Board met four times and the record of the attendance of each Director is set out below:-

Name of Director	Attendance	% of Attendance
Ong Ie Cheong	4	100
Datuk Oh Siew Nam	4	100
Dato' Lim Chee Wah	4	100
Dato' Abdul Jabid bin Mohd Don	3	75
Dato Sri Liang Kim Bang	4	100
Ang Guan Seng	4	100
Tan Yew Jin	4	100
Michael Oh Aik Teong (Alternate Director to Dato' Abdul Jabid bin Mohd Don)	2	100
Koh Mei Lee (Alternate Director to Tan Yew Jin)	2	100

SUPPLY OF INFORMATION

The Executive Chairman plays a key role in ensuring that all 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, 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 financial results, corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and capital expenditures. This schedule ensures that the governance of the Group is in its hands.

MAR 12

PPB's 55% indirect subsidiary, Chemquest (Overseas) Ltd, acquired 50% equity interest in Kerry Utilities Limited (KUL) to explore investment opportunities in China.

APR 12

Issue of 2001 Annual Report.

2 0 0 2 C O R P O R A T E D I A R Y

APPOINTMENTS TO THE BOARD

The Nomination Committee comprises three non-Executive Directors and they 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 the Directors.

Decisions on appointments are made by the Board after considering recommendations by the Committee. During the financial year ended 31 December 2002, the Nomination Committee had one meeting which was attended by all members.

DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analyst Malaysia. For new Board members, a familiarization programme is conducted which include 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, 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

i. 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.

ii. Remuneration Procedure

The Remuneration Committee comprising mainly non-Executive Directors recommends to the Board the remuneration of the Executive Directors and it is 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.

MAY 3
33rd Annual General Meeting was held.

MAY 3
An analyst briefing was held to review the financial results for the year ended 31 December 2001 and other related matters.

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 2002, the Remuneration Committee had one meeting which was attended by all members.

iii. Remuneration Package

The details of the remuneration of Directors on Group basis for the financial year ended 31 December 2002 are as follows :-

(All figures in RM'000)	Executive Directors	Non-Executive Directors
Salary	2,871	749
Fees	45	221
Bonus	2,250	739
Benefits-in-kind	96	44
Total	5,262	1,753

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

	Executive Directors	Non-Executive Directors
Less than RM50,000	-	1
RM50,000 – RM100,000	-	1
RM150,000 – RM200,000	-	1
RM200,000 – RM250,000	-	1
RM350,000 – RM400,000	-	1
RM800,000 – RM850,000	-	1
RM1,050,000 – RM1,100,000	1	-
RM1,500,000 – RM1,550,000	1	-
RM2,650,000 – RM2,700,000	1	-
Total	3	6

INVESTOR RELATIONS

INVESTOR RELATIONS PROGRAMME

PPB has an active Investor Relations programme directed to both individual and institutional investors. The Company's Investor Relations mission is to maintain an ongoing awareness of the Company's performance among its shareholders, media and the investment community. PPB's Investor Relations programme focuses on transparency of disclosure and the timely dissemination of information.

i. Sources of Information

The principal sources of information disseminated by PPB during the year, include :-

- Our annual report which aims to give readers a comprehensive picture of the Group's businesses and performance for the financial year under review.

MAY 16

Release of 1st Quarter Report for the three months ended 31 March 2002.

AUGUST 15

Release of 2nd Quarter Report for the six months ended 30 June 2002.

- Quarterly Investor Updates designed like a newsletter are sent to registered shareholders and the investment community. The Investor Update contains financial results, articles of the Group's operations as well as significant events during the quarter under review.
- The Investor Handbook published annually provides shareholders and the investment community with an overview of the Group's operations and serves as a convenient reference guide.
- News releases which announce financial performance and important events relating to the Group via the local media and the corporate website.
- PPB's corporate website, www.ppbgroup.com contains a separate section for our shareholders or potential investors under "Investors" where they can request for information or provide feedback to the Company. Information on the Group, its businesses, financial data, Annual Reports and Investor Updates can be easily downloaded from the website.
- Interactive Visual Compact Discs featuring the Company's profile and Group operations were distributed to the investment community and to those upon request.

ii. Direct Meetings

PPB Group's policy is to maintain an active dialogue with its shareholders with the objective of giving shareholders a clear and complete picture of the Company's performance. This is provided at the Company's annual general meetings where shareholders can express their views or raise questions in relation to PPB'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.

Analyst briefings are held twice a year to provide consistent dialogues between the Company's senior management and the investment community. An annual press conference is also held after the final results are released to the Kuala Lumpur Stock Exchange (KLSE). On these occasions, the Executive Chairman and CEOs of the principal subsidiaries are present to address any questions.

At other times, PPB endeavours to meet all requests for meetings or information by the investment community.

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

iii. Queries and Feedback

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

AUGUST 15

PPB's associated company, Global Entertainment and Management Systems Sdn Bhd, obtained approval from the Foreign Investment Committee to acquire 25% equity interest in Tanjong Golden Village Sdn Bhd (TGV), a company involved in film exhibition.

AUGUST 21

An analyst briefing was held to review the results for the six months ended 30 June 2002 and other related matters.

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

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors are committed 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 pages 78 of this Annual Report.

RELATIONSHIP WITH AUDITORS

The Board maintains a formal and transparent professional relationship with the auditors through the Audit Committee. The Audit Committee meets with the external auditors without the presence of the management at least once a year.

A report of the Audit Committee is set out on pages 28 and 29 of this Annual Report.

INTERNAL CONTROL

The Statement on Internal Control set out on pages 26 and 27 of this Annual Report provides an overview of the system of internal control within the Group.

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 February 2003.

Ong Ie Cheong
Executive Chairman

Dato Sri Liang Kim Bang
Independent Non-Executive Director

NOVEMBER 15
Release of 3rd Quarter Report for the
nine months ended 30 September 2002.

DECEMBER 18
The staff of PPB organized its first annual
community programme aimed at
improving the quality of life of the
community with a Christmas celebration
at Ti-Ratana Children's Home.

GROUP FINANCIAL HIGHLIGHTS

		2002 RM'Million	2001 RM'Million	% Change
INCOME STATEMENTS				
Revenue		7,857.980	5,629.093	39.60
Profit before taxation		508.883	321.566	58.25
Profit after taxation		392.355	248.262	58.04
Net profit for the year		250.703	170.302	47.21
BALANCE SHEETS				
Funds employed		4,460.745	4,208.785	5.99
Shareholders' fund		2,826.853	2,775.528	1.85
RATIOS				
Current ratio	times	2.11	1.86	13.44
Interest coverage	times	37.69	24.34	54.85
LT Debt/(LT Debt + Equity)	%	2.69	1.17	
Return on equity	%	8.87	6.14	
Return on net assets	%	11.47	7.68	
Price/Operating cash flow	times	5.81	5.25	10.67
Price earnings ratio	times	7.71	9.56	-19.35
Profit before tax over revenue	%	6.48	5.71	
Earnings per share	sen	51.10	34.71	47.22
Dividend per share (net) for the year	sen	43.00	15.80	172.15
Net tangible assets per share	RM	5.69	5.58	1.97
31st December closing price	RM	3.94	3.32	18.67

HIGHLIGHTS FOR YEAR 2002

- 28 FEBRUARY** PPB acquired a 33.3% equity interest in Global Entertainment and Management Systems Sdn Bhd which owns 25% interest in Tanjong Golden Village to expand its cinema market.
- 12 MARCH** Chemquest (Overseas) Ltd, a wholly-owned subsidiary of Chemquest Sdn Bhd, acquired a 50% equity interest in Kerry Utilities Limited (KUL) which will be used to explore investment opportunities in China and other Asean countries.
- 2 MAY** PPB Hartabina Sdn Bhd, a wholly-owned subsidiary of PPB, launched Phase 2 of its Bukit Segar development comprising 114 units of semi-detached houses, 5 bungalows and 2 pieces of land.
- 1 JUNE** Seletar Sdn Bhd, a 100% indirect subsidiary of PPB Group, launched Phase 1 of its residential homes comprising 561 units at Taman Sinar Mentari, Bedong, Kedah.
- 25 JULY** PPB Oil Palms Berhad (PPBOP), PPB's 55.8% subsidiary, commissioned its first palm oil mill in Indonesia of 30-tonne per hour in West Sumatra to process FFB from its wholly-owned subsidiary, PT Tidar Sungkai Sawit and surrounding areas.
- 17 SEPTEMBER** FFM's first overseas mill in Vietnam under Vietnam Flour Mills Ltd completed its first full year of operations to achieve an average production capacity of 50% and sales of 43,300 mt.
- 19 DECEMBER** Suburmas Plantations Sdn Bhd, a 70% subsidiary of PPBOP, entered into a joint venture with several Sarawakian parties to construct, own and operate a 40-tonne per hour crude palm oil mill in Sarawak.
- 23 DECEMBER** Kalimantan Palm Industries Sdn Bhd, a wholly-owned subsidiary of PPBOP, entered into a Shares Sale Agreement to acquire 90% equity interest in PT Kerry Sawit Indonesia which owns 32,200 hectares of land proposed for oil palm cultivation in Central Kalimantan.

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 PPB Group's external auditors is mainly for the tax advisory and accounting services rendered for the financial year ended 31 December 2002. The breakdown of the fees are as follows:-

Name of Auditor	Fees (RM)
Moores Rowland	90,613
KPMG	39,880
Ernst & Young	52,700
Chin & Co.	600
Total	<u>183,793</u>

2. Material Contracts

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 20, Part A, Appendix 9C of the KLSE Listing Requirements entered into by the PPB Group since the end of the previous financial year up to 31 December 2002.

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

The RRPTs entered into by PPB Group during the financial year ended 31 December 2002 were as follows :-

RELATED PARTIES

- (a) Kuok Brothers Sdn Bhd ("KB"), a major shareholder of PPB with direct interest of 40.95% and indirect interest of 0.23%, 0.12%, 0.10%, 0.01% and 0.002% held through Gaintiques Sdn Bhd, Jerneh Insurance Berhad, Min Tien & Co. Sdn Bhd, Hoe Sen (Mersing) Sdn Bhd and Jerneh Asia Capital Sdn Bhd respectively;
- (b) Kerry Group Limited ("KGL"), a major shareholder of PPB with indirect interest of 7.60% held through Kerry Holdings Limited ("KHL");
- (c) KHL, a major shareholder of PPB with indirect interest of 4.09%, 3.08%, 0.33% and 0.09% held through Dalex Investment Limited, Natalon Company Ltd, Chipchase Limited and Kerry Asset Management Limited respectively;
- (d) Datuk Oh Siew Nam ("DOSN"), a Director of PPB, has direct and indirect interest of 0.01% and 0.06% respectively in PPB held through Loisin Holdings Sdn Bhd;
- (e) Mr Ang Guan Seng ("AGS"), a Director of PPB, has indirect interest of 4.19% in PPB held through Nai Seng Sdn Bhd and Ang Toon Chew & Sons (M) Sdn Bhd;
- (f) Dato' Abdul Jabid bin Mohd Don ("DAJ"), a Director of PPB, has direct and indirect interest of 0.001% each in PPB. His indirect interest is held by his wife, Datin Ramlah bte Ahmad; and
- (g) Mr Raymond Chow Ting Hsing ("RC"), a Director and major shareholder of Golden Screen Cinemas Sdn Bhd, a 54.2% subsidiary of PPB.

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting Party	Year 2002 Actual RM'000	Interested related party
<i>Purchase of raw sugar</i>			
• Malayan Sugar Manufacturing Co. Bhd (MSM)	• Kerry Foodstuff Co. Ltd (KFCL)	221,746	KGL & KHL
<i>Sale of refined sugar</i>			
• MSM	• Hoe Sen (Mersing) S/B	8,810	KB
• MSM	• Min Tien & Co. S/B	18,193	KB
• MSM	• KFCL	5,118	KGL & KHL
• MSM	• Batu Pahat Seng Huat Sdn Bhd	4,268	AGS
<i>Purchase of polypropylene bags</i>			
• MSM	• Tego S/B	1,894	KB & DOSN
<i>Purchase of insurance</i>			
• PPB Group	• Jerneh Insurance Bhd (JIB)	3,206	KB
<i>Rental of premises</i>			
• Golden Screen Cinemas S/B and Leisure Bowl (JB) S/B	• Pelangi Bhd	832	KB
• PPB Group	• JIB	672	KB
<i>Provision of share registration services</i>			
• PPB Corporate Services S/B (PCSB)	• FFM Berhad	16	KB
• PCSB	• Jerneh Asia Bhd	17	KB
• PCSB	• Pelangi Bhd	24	KB
<i>Provision of engineering services and quarry operations</i>			
• Minsec Engineering Services S/B	• PPB Oil Palms Bhd Group	4,237	KB
<i>Purchase of edible oils</i>			
• Chemquest Trading (M) S/B	• PGEO Group S/B	1,174	KB
<i>Sale of formalin</i>			
• Malayan Adhesives & Chemicals Sdn Bhd	• Tejana Trading Corporation S/B	1,292	DAJ
<i>Purchase of corn</i>			
• FFM Group	• Ban Seng Guan S/B	58,363	AGS
<i>Sale of flour</i>			
• Johor Bahru Flour Mill S/B	• Batu Pahat Seng Huat Sdn Bhd	2,500	AGS
<i>Purchase of soya bean meal</i>			
• FFM Group	• Hoe Seng Chan S/B	4,441	AGS
<i>Purchase of CPO</i>			
• PGEO Edible Oils Sdn Bhd	• Perusahaan Minyak Sawit Sdn Bhd	32,411	AGS
<i>Purchase of plastics (jerrycans)</i>			
• PGEO Edible Oils Sdn Bhd	• United Plastics S/B	4,256	AGS
<i>Payment of film royalty fee</i>			
• Golden Screen Cinemas Sdn Bhd	• Golden Harvest Entertainment Holdings Ltd Group	3,916	RC
<i>Sale of chemicals</i>			
• Asia Pacific Microspheres Sdn Bhd	• CQ Technology Limited	9,102	KB
• Chemquest Trading (M) Sdn Bhd (CTM)	• Malayan Adhesives & Chemicals Sdn Bhd	18,363	KB
• CTM	• PT Healthcare Glovindo	1,367	KB
<i>Supply of landfill equipment</i>			
• AWS Sales & Services Sdn Bhd	• Worldwide Landfills Sdn Bhd	1,236	KB

STATEMENT ON INTERNAL CONTROL

The Board acknowledges its responsibility for establishing an efficient and effective system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investment and the Group's assets. There is an on-going review process by the Board to ensure the adequacy and integrity of the system. 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 key elements of the Group's system of 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 its 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 recognizes the importance of having in place a formal risk management system to identify, evaluate and manage significant business risks faced by the Group. Towards this end, a group-wide enterprise risk management system was implemented within the Group from August 2001 and substantially completed on 31 December 2002. This framework includes examining principal business risks in critical areas, assessing the likelihood and impact of their occurrence, identifying the controls to manage these risks and adopting the appropriate risk treatment options. This risk process is reviewed regularly and written reports are submitted to the Risk Advisory Committee (RAC), Audit Committee and the Board of Directors highlighting the significant business risks identified together with the controls in place to manage these risks.

The RAC's Terms of Reference and the Group's Risk Management Policy were approved by the Board on 15 November 2002.

3. Control activities

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

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

4. Information and communication

There is a system of financial reporting to the Board, based on quarterly results and annual budgets. Key risk 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. During the financial year, an internal control checklist was introduced. This checklist serves as a control self-assessment for management to document their self-monitoring of critical and routine control areas under their jurisdiction.

In addition, the effectiveness of the Group's risk management, internal controls and governance processes is monitored by the Audit Committee, which receives regular reports from the internal auditors. Formal procedures are in place for correction of weaknesses identified in these reports.

There were no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year.

The Group's system of 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.

This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2003.

AUDIT COMMITTEE REPORT

Composition

The members of the Audit Committee (AC) during the financial year ended 31 December 2002 comprised the following directors :-

Director	Membership	Directorship
Dato Sri Liang Kim Bang	Chairman	Independent Non-executive
Ang Guan Seng	Member	Non-independent Non-executive
Tan Yew Jin	Member	Non-independent Non-executive

The present composition of the AC does not have a majority of its members as independent directors. The Board intends to balance the AC membership to satisfy the requirement of having a majority of the members of the AC to be independent directors.

Terms of Reference

The Terms of Reference of the AC are 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 auditors 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 auditors;
- (3) consider the external auditors' 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 2002 and details of attendance of each committee member are as follows :-

Director	Audit Committee Meetings	
	No. Held	No. Attended
Dato Sri Liang Kim Bang	4	4
Ang Guan Seng	4	4
Tan Yew Jin	4	4

Activities of the Audit Committee

During the financial year ended 31 December 2002, 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 the Group's officers to them.
2. reviewed with the internal auditors their audit reports, audit plan, scope and audit approach including assessing their performance 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 and noted the progress of the implementation of the Enterprise Risk Management (ERM) system within the Group.
5. reviewed related party transactions that arose within the Group.
6. recommended the nomination of Moores Rowland for re-appointment as external auditors.

Activities of the Internal Audit Department

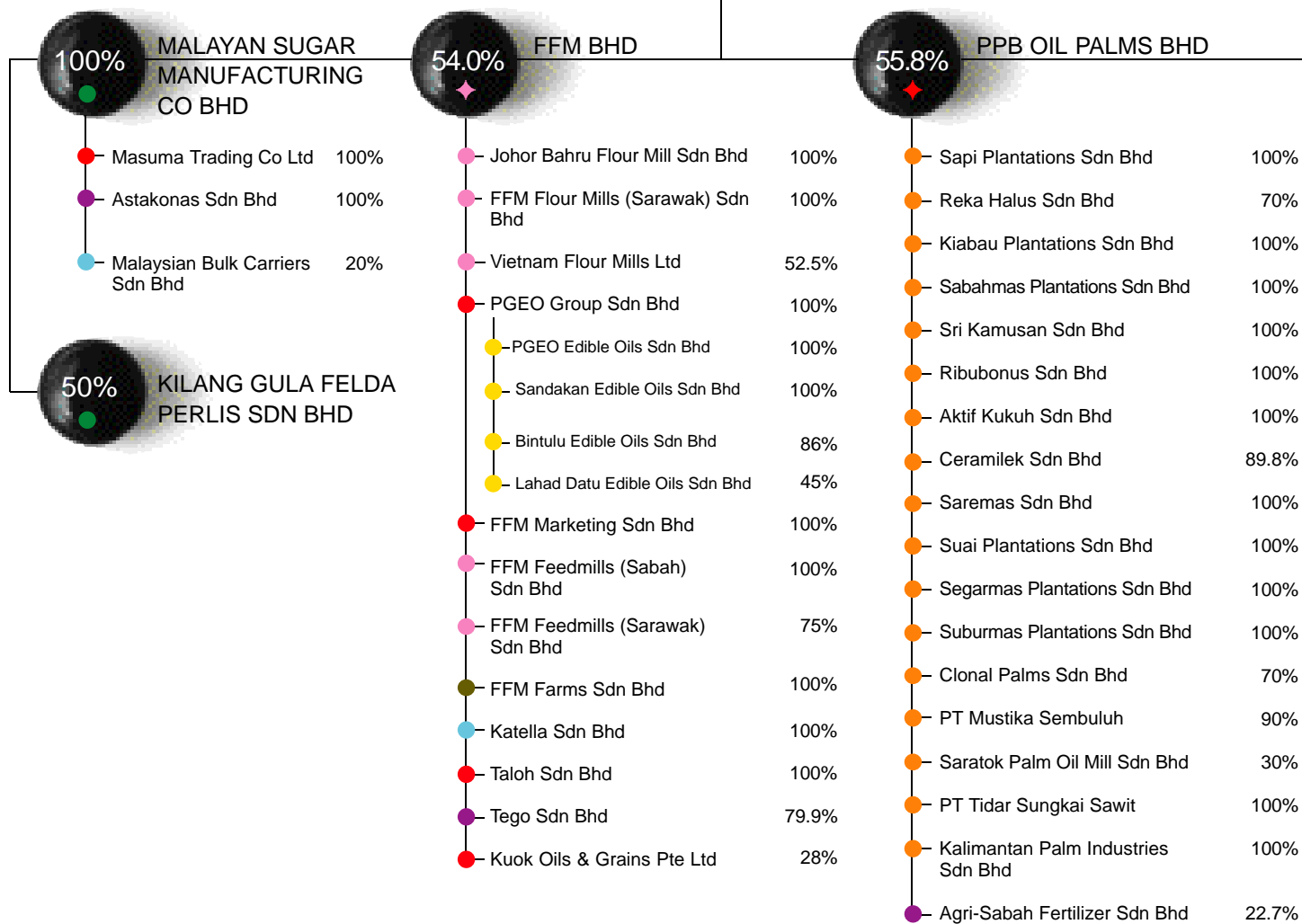
The activities of PPB Internal Audit Department (PPBIAD) are guided by its Remit and the annual audit plan approved by the AC. PPBIAD reports functionally to the AC and is independent of the activities they audit.

During the financial year ended 31 December 2002, PPBIAD reviewed the adequacy and integrity of the Group's system of internal control covering both financial as well as non-financial controls. In addition, the effectiveness of the risk management system in those subsidiaries that have completed the ERM exercise was also evaluated. The audits focused on key controls to mitigate risks, safeguard assets, secure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations.

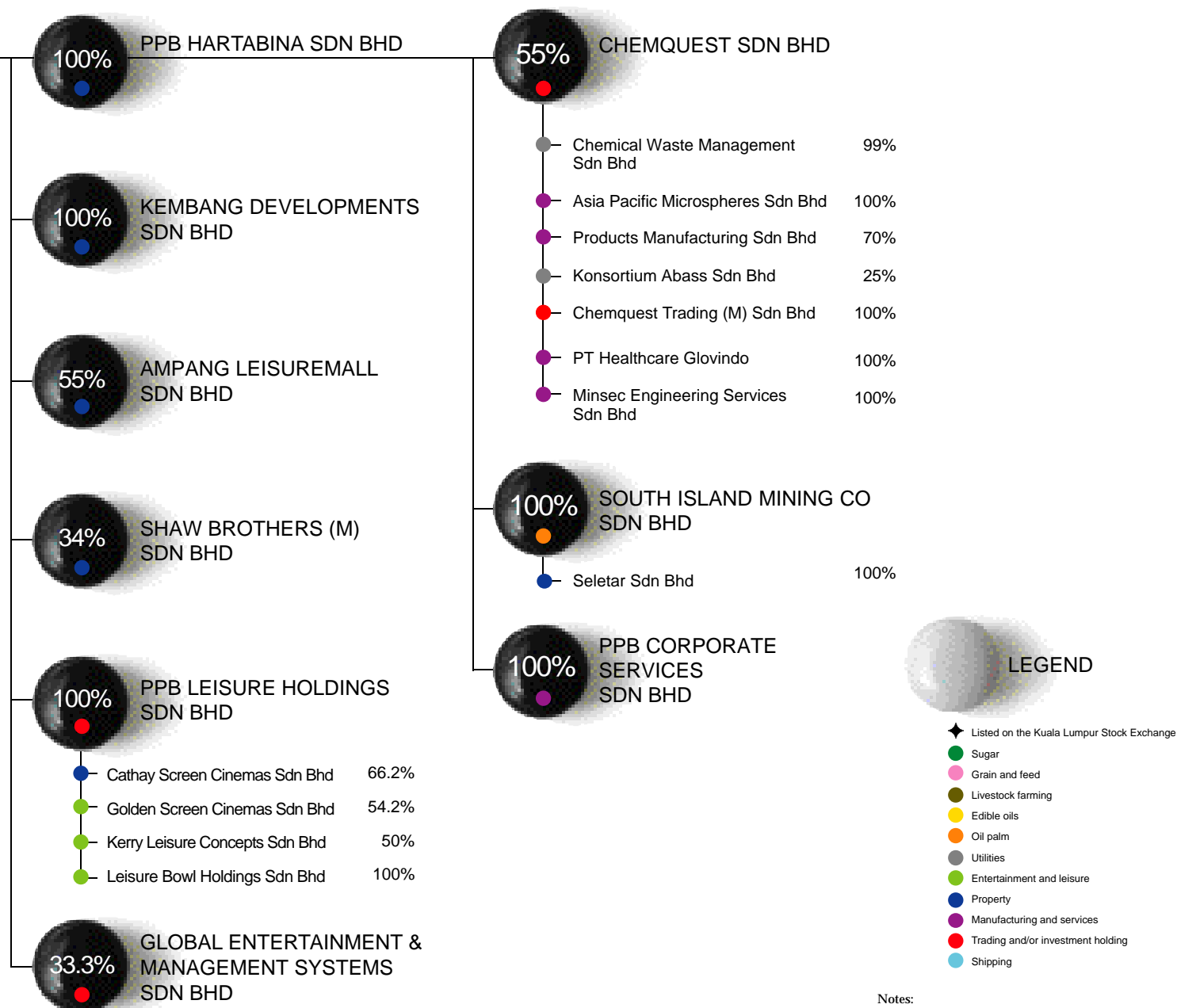
Dato Sri Liang Kim Bang
Chairman
 (Independent Non-executive Director)

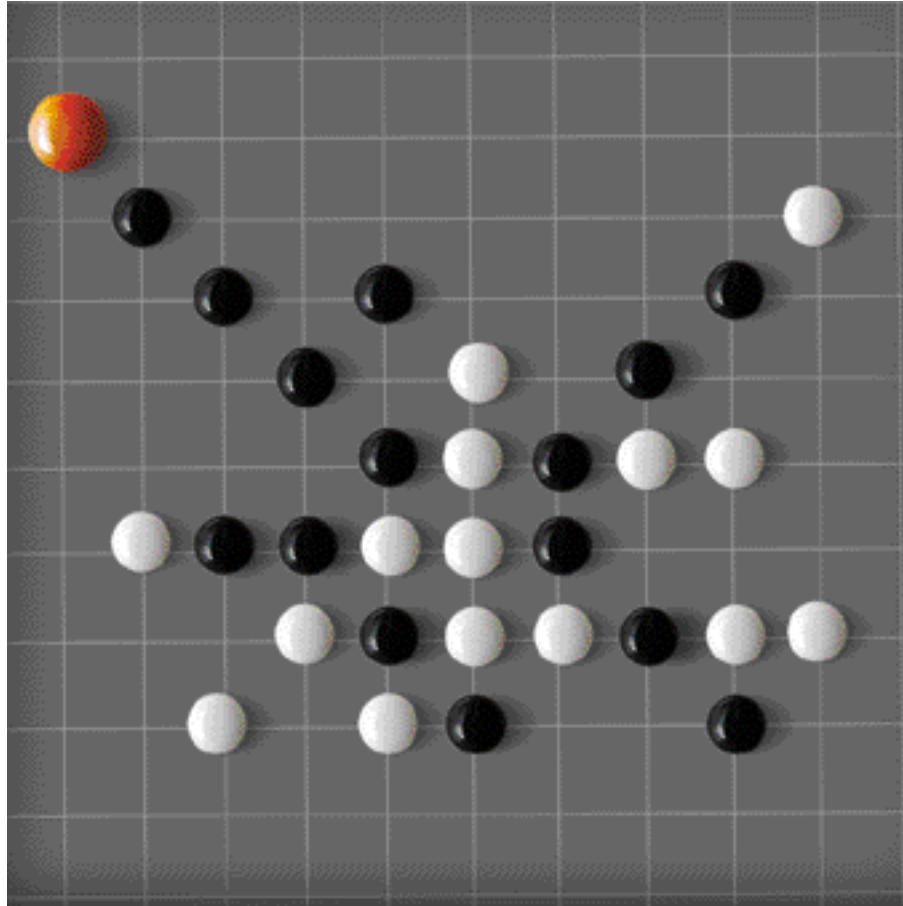


PPB GROUP BERHAD



CORPORATE STRUCTURE AS AT 15 MARCH 2003





RESOURCEFULNESS

With many possibilities available, the game of Go is all about making the right choice. Seeking new opportunities for growth in the various business units, the Group managed to not only sustain its performance but exceed every expectation.