

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Datuk Oh Siew Nam  
Executive Chairman

Dato' Lim Chee Wah  
Deputy Chairman

Dato Sri Liang Kim Bang  
Independent Non-Executive Director

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

Ang Guan Seng  
Non-Independent Non-Executive Director

Tan Yew Jin  
Non-Independent Executive Director

Tan Gee Sooi  
Non-Independent Non-Executive Director

## AUDIT COMMITTEE

Dato Sri Liang Kim Bang  
Chairman

Ang Guan Seng

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

## NOMINATION COMMITTEE

Ang Guan Seng  
Chairman

Dato Sri Liang Kim Bang

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

## REMUNERATION COMMITTEE

Dato Sri Liang Kim Bang  
Chairman

Ang Guan Seng

Datuk Oh Siew Nam

## SECRETARY

Tan Teong Boon

## REGISTERED OFFICE

PPB Group Berhad (8167-W)  
17th Floor Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone : 03-21412077  
Facsimile : 03-21418242  
Website : www.ppbgroup.com

## SOLICITORS

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

Lee Hishammuddin Allen & Gledhill  
Level 16, Menara Asia Life  
189 Jalan Tun Razak  
50400 Kuala Lumpur

## PRINCIPAL BANKERS

Malayan Banking Berhad  
Bumiputra-Commerce Bank Berhad  
OCBC Bank (Malaysia) Berhad

## AUDITORS

Moore Rowland  
7th Floor South Block  
Wisma Selangor Dredging  
142A Jalan Ampang  
50450 Kuala Lumpur

## REGISTRARS

PPB Corporate Services Sdn Bhd  
14th Floor Wisma Jerneh  
38 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone : 03-21412077  
Facsimile : 03-21418242

## STOCK EXCHANGE LISTING

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

# BOARD OF DIRECTORS' PROFILE



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## **DATUK OH SIEW NAM**

Non-Independent Executive Director  
Executive Chairman  
Member of Remuneration Committee

### **DATE OF APPOINTMENT**

Director - 2 March 1988  
Executive Chairman - 1 July 2004

### **AGE**

66

### **QUALIFICATIONS AND EXPERIENCE**

- Bachelor of Engineering (Honours) in Electrical Engineering from the University of Canterbury, New Zealand
- Assistant Controller of Telekom Malaysia for 5 years before joining FFM Berhad Group in 1968
- Managing Director of FFM Berhad from 1982 to 2002 and appointed as Executive Chairman in 2002
- 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)

### **OTHER DIRECTORSHIPS**

FFM Berhad (Executive Chairman)  
Kuok Foundation Berhad  
Penerbangan Malaysia Berhad  
PPB Oil Palms Berhad (Chairman)

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## **DATO' LIM CHEE WAH**

Non-Independent Executive Director  
Deputy Chairman

### **DATE OF APPOINTMENT**

Director - 2 March 1988  
Deputy Chairman - 1 July 2004

### **AGE**

65

### **QUALIFICATIONS AND EXPERIENCE**

- Bachelor of Arts (Honours) in Economics from the University of Malaya
- Joined Malayan Sugar Manufacturing Company Berhad in 1965 and held several senior managerial positions before being appointed as Director in 1989 and Executive Chairman in 2000

### **OTHER DIRECTORSHIPS**

Jerneh Asia Berhad (Chairman)  
Kuok Foundation Berhad  
Malayan Sugar Manufacturing Company Berhad (Executive Chairman)  
Malaysian Bulk Carriers Berhad  
Tradewinds (M) Berhad  
Transmile Group Berhad



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#### **TAN YEW JIN**

Non-Independent Executive Director  
Executive Director  
Chairman of Risk Advisory Committee

#### **DATE OF APPOINTMENT**

Director - 12 May 2001  
Executive Director - 25 August 2004

#### **AGE**

64

#### **QUALIFICATIONS AND EXPERIENCE**

- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- Member of Certified Public Accountants, Australia
- Fellow of the Institute of Certified Public Accountants, Singapore
- Was actively involved in FFM Berhad Group operations and was Deputy Managing Director of FFM Berhad from 1998 to 2000
- Executive Chairman of PPB Oil Palms Berhad from 2000 to 2004

#### **OTHER DIRECTORSHIPS**

Jerneh Asia Berhad  
Tradewinds (M) Berhad



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#### **DATO SRI LIANG KIM BANG**

Independent Non-Executive Director  
Chairman of Audit and Remuneration Committees  
Member of Nomination Committee

#### **DATE OF APPOINTMENT**

4 January 1995

#### **AGE**

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#### **QUALIFICATIONS AND EXPERIENCE**

- Bachelor of Arts and Bachelor of Arts (Honours) from the University of Malaya
- Post Graduate Course in Public Administration at Cambridge University, England
- Former Sarawak State Financial Secretary

#### **OTHER DIRECTORSHIPS**

Cahaya Mata Sarawak Berhad  
CMS Steel Berhad (Chairman)  
CMS Trust Management Berhad  
Malaysia International Shipping Corporation Berhad  
PPB Oil Palms Berhad  
Rashid Hussain Berhad

# BOARD OF DIRECTORS' PROFILE



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## **ANG GUAN SENG**

Non-Independent Non-Executive  
Director  
Chairman of Nomination Committee  
Member of Audit Committee

### **DATE OF APPOINTMENT**

8 July 1998

### **AGE**

66

### **QUALIFICATIONS AND EXPERIENCE**

- Extensive experience and knowledge in commerce, industry, building as well as trading and has been the Managing Director of Petaling Garden Berhad since 1963

### **OTHER DIRECTORSHIPS**

Parkway Holdings Limited  
Petaling Garden Berhad  
Malayan United Industries Berhad



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## **YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM**

Independent Non-Executive Director  
Member of Audit and Nomination Committees

### **DATE OF APPOINTMENT**

12 May 2003

### **AGE**

66

### **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**

Amanah Saham Mara Berhad  
Camerlin Group Berhad  
Gamuda Berhad  
Gran Asia Corporation Berhad  
Jerneh Asia Berhad  
Jerneh Insurance Berhad  
K&N Kenanga Berhad  
K&N Kenanga Holdings Berhad  
K&N Kenanga Unit Trust Berhad  
Matsushita Electric Company (M) Berhad  
PPB Oil Palms Berhad  
Southern Steel Berhad  
Tasek Corporation Berhad



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**TAN GEE SOOI**

Non-Independent Non-Executive  
Director

**DATE OF APPOINTMENT**

28 July 2004

**AGE**

60

**QUALIFICATIONS AND EXPERIENCE**

- Bachelor of Engineering (Honours)  
in Electrical Engineering from the  
University of Malaya
- Held several senior managerial  
positions in the FFM Berhad Group  
and is presently the Managing  
Director of FFM Berhad

**OTHER DIRECTORSHIP**

FFM Berhad

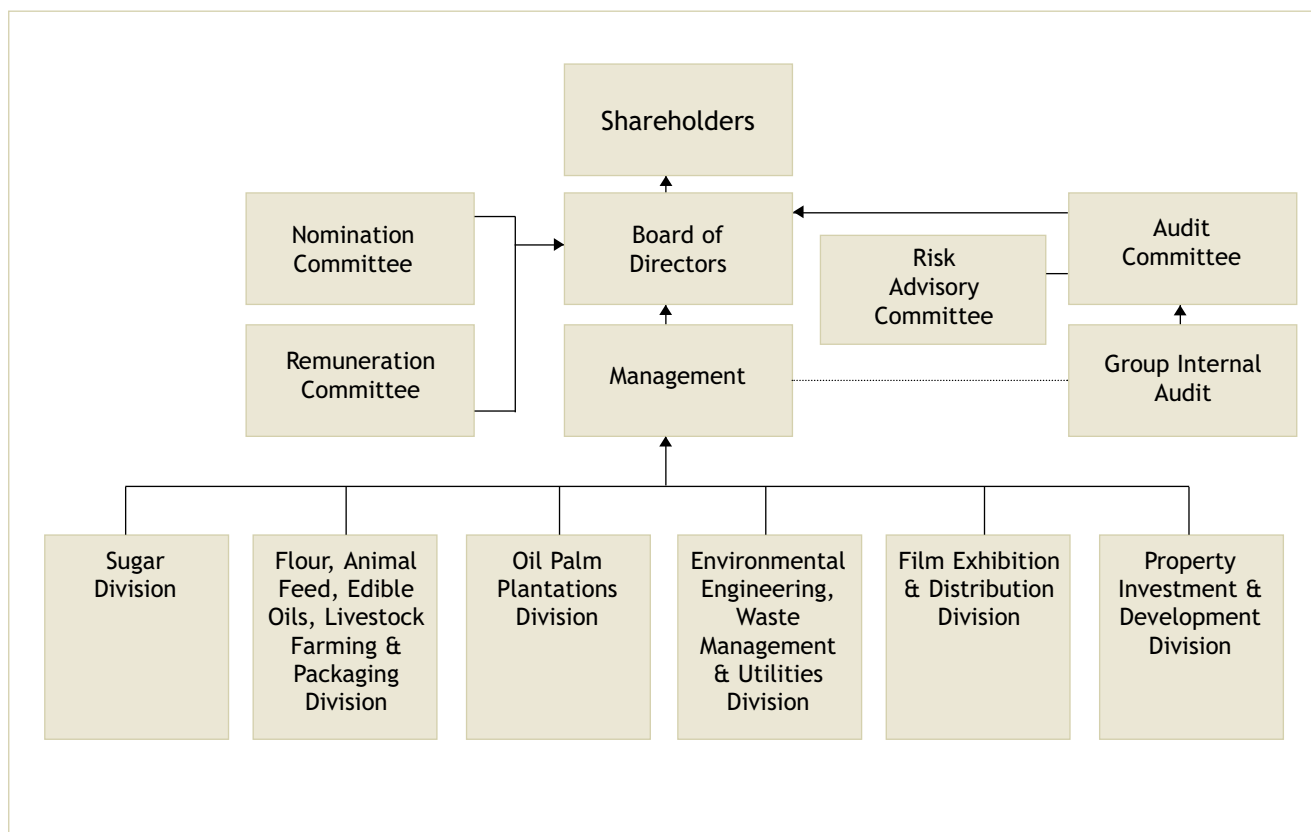
All the Directors are Malaysians. None has any family relationship with any other Director and/or major shareholder of PPB and has no conflict of interest with PPB. The above Directors have no conviction for any offences within the past ten (10) years.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of PPB Group Berhad continues to be committed in 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 best practices set out in the Malaysian Code on Corporate Governance ("the Code") throughout the financial year.

## CORPORATE GOVERNANCE STRUCTURE



## 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, principal risks and implementing appropriate steps to manage these risks, investor relations programme and ensuring the systems of internal control are in place and are effective.

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 two are independent. The number of independent directors is in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") which requires one third of the Board to comprise independent directors.

Collectively, the Directors bring to the Board a wide range of business, financial and technical experience for the effective management of the Group's diversified businesses. The profile of each director is presented on pages 14 to 17 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. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations and development of business and corporate strategies. The 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 businesses. The Independent non-Executive Directors provide 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.

# CORPORATE GOVERNANCE STATEMENT

## 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 2004, the Board met four times and the record of attendance of each Director is set out below:-

Name of Director	Board Meeting	
	Attendance	% of Attendance
Datuk Oh Siew Nam	4	100
Dato' Lim Chee Wah	3	75
Tan Yew Jin	4	100
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4	100
Dato Sri Liang Kim Bang	4	100
Ang Guan Seng	4	100
Tan Gee Sooi ( <i>appointed on 28 July 2004</i> )	2	100

## SUPPLY OF INFORMATION

The Executive Chairman plays a key role in ensuring that all Directors have full and timely access to information. 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 CEOs 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, legal 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.

## 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 YM Raja Dato' Seri Abdul Aziz bin Raja Salim.

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 2004, the Nomination Committee had three (3) meetings which were attended by all members.

## DIRECTORS' TRAINING

All the Directors have attended the Continuous Education Programmes ("CEP") as required by Bursa Securities to keep abreast with relevant new regulatory developments on a continuous basis. The new Board members have completed the Mandatory Accreditation Programme and a familiarization programme is conducted for them which include visits to the Group's businesses and meetings with senior management as appropriate, to facilitate their understanding of the Group.

## 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.

# CORPORATE GOVERNANCE STATEMENT

## 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), Datuk Oh Siew Nam and Ang Guan Seng.

The determination of the remuneration of the non-Executive Directors is a matter for the Board as a whole subject to approval of shareholders at the Annual General Meeting ("AGM"). The directors are not involved in the approval of their own remuneration package. During the financial year ended 31 December 2004, the Remuneration Committee had four (4) meetings which were attended by all members.

## iii. Remuneration Package

The details of the remuneration of Directors on Group basis for the financial year ended 31 December 2004 are as follows :-

All figures in RM'000	Executive Directors	Non-Executive Directors
Salary	2,527	559
Fees	71	223
Bonus	4,373	417
Benefits-in-kind	110	31
Other Emoluments	2,813	462
<b>Total</b>	<b>9,894</b>	<b>1,692</b>

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

	Executive Directors	Non-Executive Directors
Less than RM100,000	-	2
RM100,001 - RM200,000	-	1
RM200,001 - RM300,000	-	1
RM600,000 - RM700,000	-	1
RM700,001 - RM800,000	-	1
RM1,100,000 - RM1,300,000	1	-
RM1,700,000 - RM1,900,000	1	-
RM2,100,000 - RM2,300,000	1	-
RM4,000,000 - RM4,300,000	1	-
<b>Total</b>	<b>4</b>	<b>6</b>

Note : The above tables include past directors who served during the year.

## INVESTOR RELATIONS

### INVESTOR RELATIONS PROGRAMME

The Company 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. The Company'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 the Company during the year, include :-

- Our 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 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 which took place during the quarter under review.
- The Investor Handbook published annually provides shareholders and the investment community 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.
- The Company's corporate website, [www.ppbgroup.com](http://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.

#### 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 the Company'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 endeavours to conduct analyst briefings 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 Bursa Securities. On these occasions, the Executive Chairman and CEOs of

# CORPORATE GOVERNANCE STATEMENT

the principal subsidiaries are present to address any questions. At other times, the Company endeavours to meet all requests for meetings or information by the investment community.

While the Company endeavours to provide as much information 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 inquiries and feedback from the shareholders and the investment community. The Corporate Affairs Department of the Company provides investors with a channel of communication on which they can provide feedback to the Company.

Queries and concerns regarding PPB 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 PPB Group's position and prospects. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 66 of this Annual Report.

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#### 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 29 and 30 of this Annual Report.

#### INTERNAL CONTROL

The Statement of Internal Control set out on pages 31 and 32 of this Annual Report provides an overview of the Statement of Internal Control within PPB Group.

Signed on behalf of the Board of Directors in accordance with a resolution dated 23 February 2005.

Datuk Oh Siew Nam  
Executive Chairman

Dato Sri Liang Kim Bang  
Independent Non-Executive Director

# GROUP FINANCIAL HIGHLIGHTS

		2004 RM'Million	2003 RM'Million	% Change
<b>INCOME STATEMENTS</b>				
Revenue		10,999.682	9,319.768	18.03
Profit before taxation		733.508	707.360	3.70
Profit after taxation		549.716	536.882	2.39
Net profit for the year		400.664	371.253	7.92
<b>BALANCE SHEETS</b>				
Funds employed		5,201.310	4,822.938	7.85
Shareholders' equity		3,960.088	2,988.027	32.53
<b>RATIOS</b>				
Current ratio	times	2.52	2.33	8.15
Interest coverage	times	49.59	62.60	-20.78
Long Term Debt/Equity	%	3.78	2.81	
Return on equity	%	10.12	12.42	
Return on net assets	%	14.15	14.71	
Price/Operating cash flow	times	8.12	6.09	33.33
Price earnings ratio	times	8.97	8.66	3.58
Profit before tax over revenue	%	6.67	7.59	
Earnings per share	sen	75.80	75.67	0.17
Net dividend per share	sen	23.70	20.52	15.50
Net tangible assets per share	RM	6.62	6.02	9.97
31st December closing price	RM	6.80	6.55	3.82

## GROUP'S MAJOR EVENTS IN 2004

### 9 Jan

Redtone International Berhad (Redtone) in which PPB is a major shareholder with 12% equity interest, successfully listed its entire issued and paid-up share capital comprising 252,000,000 ordinary shares of RM0.10 each on the MESDAQ market of Bursa Malaysia. Redtone Group is a leading provider of discounted call service and developer and seller of telecom equipment in Malaysia.

### 27 Jan

Chemical Waste Management Sdn Bhd, a 99% indirect subsidiary of PPB, increased its equity interest in Sitamas Environmental Sdn Bhd (Sitamas) by 29% to 78%. Sitamas is actively involved in the provision of refuse disposal services.

### 7 May

PGEO Group Sdn Bhd (PGSB), a 100% indirect subsidiary of PPB, entered into a joint venture with KOG Investments Pte Ltd, Singapore (KOGI) to construct and operate an edible oils and fats processing facility in Rotterdam, Netherlands through a joint venture company known as KOG Edible Oils BV. PGSB's 35% equity interest in the joint venture will enable PGSB to strengthen its presence and engage more actively in the growing European market for palm products.

### 9 Jun

Buxton Limited, a wholly-owned indirect subsidiary of PPB, acquired a 43.35% equity interest in Kerry Flour Mills Ltd for Baht 329,454,414 equivalent to RM30.7 million. The acquisition enabled FFM Group to expand its wheat flour milling activity into Thailand as well as to enjoy bulk purchasing of raw materials and synergies in freight arrangements.

### 17 Jun

PPB Group's 54.2% subsidiary, Golden Screen Cinemas Sdn Bhd, held the official opening of its 12-screen cineplex at Gurney Plaza, Penang. GSC Gurney Plaza with a seating capacity of 1,833 seats, is the first cineplex in the northern region with THX certified halls, an 80-seater Premiere Class hall and an International Screen hall.

### 9 Jul

PPB's wholly-owned subsidiary, PPB Hartabina Sdn Bhd, launched "Segar Courts" comprising 78 units of exclusive apartments in Taman Segar, Cheras.

### 25 Aug

PPB completed the privatization of FFM Berhad by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965 with the listing of 102,126,817 new PPB shares on the Bursa Malaysia. FFM became a wholly-owned subsidiary of PPB.

### 13 Oct

PPB entered into a conditional agreement for the disposal of 12.15% equity interest in Gula Padang Terap Sdn Bhd (GPT) comprising 13,000,000 ordinary shares of RM1.00 each to Tradewinds (M) Berhad for a total cash consideration of RM22.8 million. GPT is principally engaged in the processing of sugar cane and refining of imported raw sugar.

### 25 Oct

Chemquest Overseas Limited (CQOL), a 55% indirect subsidiary of PPB, secured a RMB536.0 million water treatment project in Hohhot, the capital city of Inner Mongolia, a province of China PRC through Kerry CQ Water (Hohhot) Limited, a 50% indirect subsidiary of CQOL. The project includes a 30-year concession to treat and process raw water and to deliver treated water to around 789,000 inhabitants of Hohhot city as well as to own 9 Groundwater Plants and the JinHe water treatment plant with a combined capacity of 520,000 m<sup>3</sup>/day. CQOL's total investment in the project is RMB25.0 million.

# COMPANY'S CORPORATE DIARY 2004

**27 February**

Release of the 4th Quarter Report for the year ended 31 December 2003.

**4 March**

A press briefing was held to review the financial results for the year ended 31 December 2003.

**22 April**

Issue of 2003 Annual Report.

**14 May**

35th Annual General Meeting was held followed by an Extraordinary General Meeting to approve the privatization of FFM Berhad by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965 and the increase in PPB's authorized share capital.

**28 May**

Release of the 1st Quarter results for the three months ended 31 March 2004.

**25 August**

An additional 102,126,817 new ordinary shares of PPB issued pursuant to the Privatisation of FFM Berhad, were listed on the Bursa Malaysia.

**25 August**

Release of the 2nd Quarter Report for the six months ended 30 June 2004. An Interim Dividend of 10 sen per share comprising 5 sen tax exempt and 5 sen less 28% tax was declared.

**8 September**

An analyst briefing was held to review the results for the six months ended 30 June 2004 and other related matters.

**13 October**

PPB entered into a conditional agreement to dispose of its entire 12.15% equity interest equivalent to 13,000,000 ordinary shares of RM1.00 each in Gula Padang Terap Sdn Bhd (GPTSB) to Tradewinds (M) Berhad for a total cash consideration of RM22.8 million.

**1 December**

Release of the 3rd Quarter Report for the nine months ended 30 September 2004. A 2nd Interim Dividend of 10 sen per share less 28% tax was declared.

**31 December**

The staff of PPB organized a visit to the Taman Megah's Handicapped and Disabled Children's Home. The visit was to enable the PPB staff who have minimal contact with the Disabled to better communicate and understand them. PPB's community programme held annually is aimed at improving the quality of life of the community.

# AUDIT COMMITTEE REPORT

## Composition

The members of the Audit Committee (AC) during the financial year ended 31 December 2004 comprised the following directors :-

Name of Director	Membership	Directorship
Dato Sri Liang Kim Bang	Chairman	Independent Non-Executive
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	Member	Independent Non-Executive
Ang Guan Seng	Member	Non-Independent Non-Executive

## 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 auditors, the audit plan;
  - b. with the external auditors, their evaluation of the system of internal control;
  - c. with the external auditors, their audit report;
  - d. the assistance given by the employees of the Company to the external auditors;
  - 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 auditors are 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 2004 and details of attendance of each committee member are as follows :-

Name of Director	Audit Committee Meetings	
	No. Held	No. Attended
Dato Sri Liang Kim Bang	4	4
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4	4
Ang Guan Seng	4	4

#### Activities of the Audit Committee

During the financial year ended 31 December 2004, 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 control and the assistance given by the Group's officers to them.
2. reviewed with the internal auditors their audit reports, approve their 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 the Audit Committee Report and Statement on Internal Control for inclusion in the Annual Report.
5. reviewed the quarterly 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 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 2004, 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 Group's Enterprise Risk Management system was also evaluated. The audits focused on key controls to manage 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)  
23 February 2005

# 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 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 continually reviewed by the Audit Committee for its adequacy and effectiveness and reported accordingly to the Board.

The key features in 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 have 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 the desired level;
- The Risk Advisory Committee provides quarterly 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 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 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 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 2 above. A control-self-assessment system is also in place for management to monitor those critical and routine risk areas under their jurisdiction using an internal control checklist.

The effectiveness of the Group's risk management, internal control 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 23 February 2005.

# ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Malaysia Securities Berhad Listing Requirements, the following additional information is provided :-

## 1. Non-audit Fees

The amount of non-audit fees paid to the external auditors of PPB and its subsidiaries ("PPB Group") for the financial year ended 31 December 2004 were as follows :-

Name of Auditor	Fees (RM)	Purpose
Moores Rowland	168,047	Tax advisory and accounting services
KPMG	5,500	Accounting services
KPMG Tax Services	34,931	Tax advisory services
Ernst & Young Tax Consultants	94,478	Corporate tax advisory services
Chin & Co.	600	Tax advisory services
Khin Su Htay & Associates	11,172	Secretarial and accounting services

## 2. Material Contracts

There were no material contracts entered into by PPB Group involving its Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2004 or entered into since the end of the previous financial year other than as disclosed below :-

Privatisation Agreement dated 3 December 2003 between PPB and FFM Berhad ("FFM") to facilitate the Proposed Privatisation of FFM by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965. In consideration of the exchange of FFM shares held by the scheme shareholders, PPB paid a cash sum of RM2.00 and issued one (1) new PPB share for each FFM share surrendered by the scheme shareholders on 17 August 2004. The privatisation exercise was completed on 25 August 2004 and FFM is now a wholly-owned subsidiary of PPB.

## 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 2004 were as follows :-

### RELATED PARTIES

- Kuok Brothers Sdn Bhd ("KB"), a major shareholder of PPB with direct interest of 39.40% and indirect interest of 0.19%, 0.16%, 0.08% and 0.004% held through Gaintique Sdn Bhd, Jerneh Insurance Berhad, Min Tien & Co. Sdn Bhd and Hoe Sen (Mersing) Sdn Bhd respectively;
- Kerry Group Limited ("KGL"), a major shareholder of PPB with indirect interest of 6.23% held through Kerry Holdings Limited ("KHL");
- KHL, a major shareholder of PPB with indirect interest of 3.38%, 2.55%, 0.28% and 0.02% held through Dalex Investments Limited, Natalon Company Ltd, Chipchase Limited and Kerry (1989) Limited respectively;
- Datuk Oh Siew Nam ("DOSN"), a Director of PPB, has direct interest of 0.01% and indirect interest of 0.08% held through Loisin Holdings Sdn Bhd in PPB;
- Mr Ang Guan Seng ("AGS"), a Director of PPB, has indirect interest of 3.51% held through Nai Seng Sdn Bhd and Ang Toon Chew & Sons (M) Sdn Bhd in PPB;
- Dato' Abd Jabid bin Mohd Don ("DAJ"), a past Director of PPB within the preceding 12 months, has direct interest of 0.002% and also indirect interest of 0.002% held by his wife, Datin Ramlah bte Ahmad in PPB;
- Mr Raymond Chow Ting Hsing ("RC"), a Director and major shareholder with indirect interest of 40.2% in Golden Screen Cinemas Sdn Bhd, a 54.2% subsidiary of PPB; and
- Mr Lee Cho Fatt ("LCF"), a Director and shareholder of FFM Feedmills (Sarawak) Sdn Bhd in which PPB has 75% indirect interest, and a Director of FFM Flour Mills (Sarawak) Sdn Bhd, a 100% subsidiary of PPB.

# ADDITIONAL COMPLIANCE INFORMATION

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting Party	Year 2004 Actual RM'000	Interested Related Party
<b>Purchase of raw sugar</b> • Malayan Sugar Manufacturing Co. Bhd ("MSM")	• Kerry Foodstuffs Co. Ltd	213,530	KGL & KHL
<b>Sale and purchase of edible oils</b> • PGEO Group	• Kuok Oils & Grains Pte Ltd	8,332,567	KGL & KHL
<b>Sale of refined sugar</b> • MSM • MSM • MSM • MSM	• Hoe Sen (Mersing) S/B • Min Tien & Co. S/B • KFCL • Batu Pahat Seng Huat S/B	10,004 28,141 14,992 3,164	KB KB KGL & KHL AGS
<b>Purchase of polypropylene bags</b> • MSM	• Tego S/B	2,386	KB & DOSN
<b>Purchase of insurance</b> • PPB Group	• Jerneh Insurance Bhd ("JIB")	4,282	KB
<b>Provision of engineering services and quarry operations</b> • Minsec Engineering Services S/B	• PPB Oil Palms Bhd Group	1,805	KB
<b>Purchase of edible oils</b> • Chemquest Trading (M) S/B	• PGEO Group S/B	1,027	KB
<b>Sale of chemicals</b> • Chemquest Trading (M) S/B	• Malayan Adhesives & Chemicals S/B	23,998	KB
<b>Sale of latex chemicals</b> • Chemquest Trading (M) S/B • Asia Pacific Microspheres S/B	• PT Healthcare Glovindo • CQ Technology Ltd	924 9,634	KB KB
<b>Supply of landfills equipment</b> • AWS Sales & Services S/B	• Worldwide Landfills S/B	1,776	KB
<b>Sale of formalin and purchase of phenol</b> • Malayan Adhesives & Chemicals S/B	• Tejana Trading Corporation S/B	1,966	DAJ
<b>Purchase of corn</b> • FFM Group	• Ban Seng Guan S/B	17,065	AGS
<b>Sale of flour</b> • Johor Bahru Flour Mill S/B	• Batu Pahat Seng Huat S/B	2,241	AGS
<b>Purchase of soya bean meal</b> • FFM Group	• Hoe Seng Chan S/B	26,312	AGS
<b>Purchase of crude palm oil</b> • PGEO Edible Oils S/B	• Perusahaan Minyak Sawit Bintang S/B	40,496	AGS
<b>Purchase of plastics (jerrycans)</b> • PGEO Edible Oils S/B	• United Plastics S/B	5,497	AGS
<b>Payment of film royalty fee</b> • Golden Screen Cinemas S/B	• Golden Harvest Entertainment Holdings Ltd Group	177	RC
<b>Purchase of chemicals</b> • Asia Pacific Microspheres S/B	• Malayan Adhesives & Chemicals S/B	5,220	KB
<b>Sale of waste containers</b> • Marathon Equipment Asia Pte Ltd	• Otto Environmental Systems (Asia) Pte Ltd	3,550	KB

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting Party	Year 2004 Actual RM'000	Interested Related Party
<b>Purchase of insurance*</b>			
• FFM Group	• JIB	9,354	KB
<b>Sale of palm oil products, equipment and spare parts and soyabean meals*</b>			
• PGEO Group S/B ("PGEO") Group	• Chemquest Trading (M) S/B	191	KB
	• Min Tien & Co. S/B	23,670	KB
<b>Purchase of crude palm oil and/or palm kernel*</b>			
• PGEO Group	• PPB Oil Palms Berhad Group	455,405	KB
• FFM Feedmills (Sabah) S/B	• PPB Oil Palms Berhad Group	1,195	KB
<b>Rental of premises*</b>			
• FFM	• JIB	105	KB
• PGEO Edible Oils S/B	• FFM Group	2,704	KB
• PGEO	• Pujabina S/B	172	KB
<b>Hedging in CPO Futures*</b>			
• Fedrums S/B	• Sapi Plantations S/B	2	KB
	• Saremas S/B	3	KB
	• Reka Halus S/B	-	KB
	• Sabahmas Plantations S/B	1	KB
<b>Sale of flour, maize, feed and bran &amp; pollard*</b>			
• FFM Group	• MTSB	7,139	KB
<b>Ship charter, ship management and brokerage*</b>			
• Katella S/B	• Pacific Carriers Ltd	27,883	KGL & KHL
	• Pacc Ship Managers Pte Ltd	365	KGL & KHL
	• Pacific Ship-Managers S/B	729	KGL & KHL
<b>Sale of bran and pollard*</b>			
• FFM Flour Mills (Sarawak) S/B	• FFM Feedmills (Sarawak) S/B	3,147	LCF

Note :

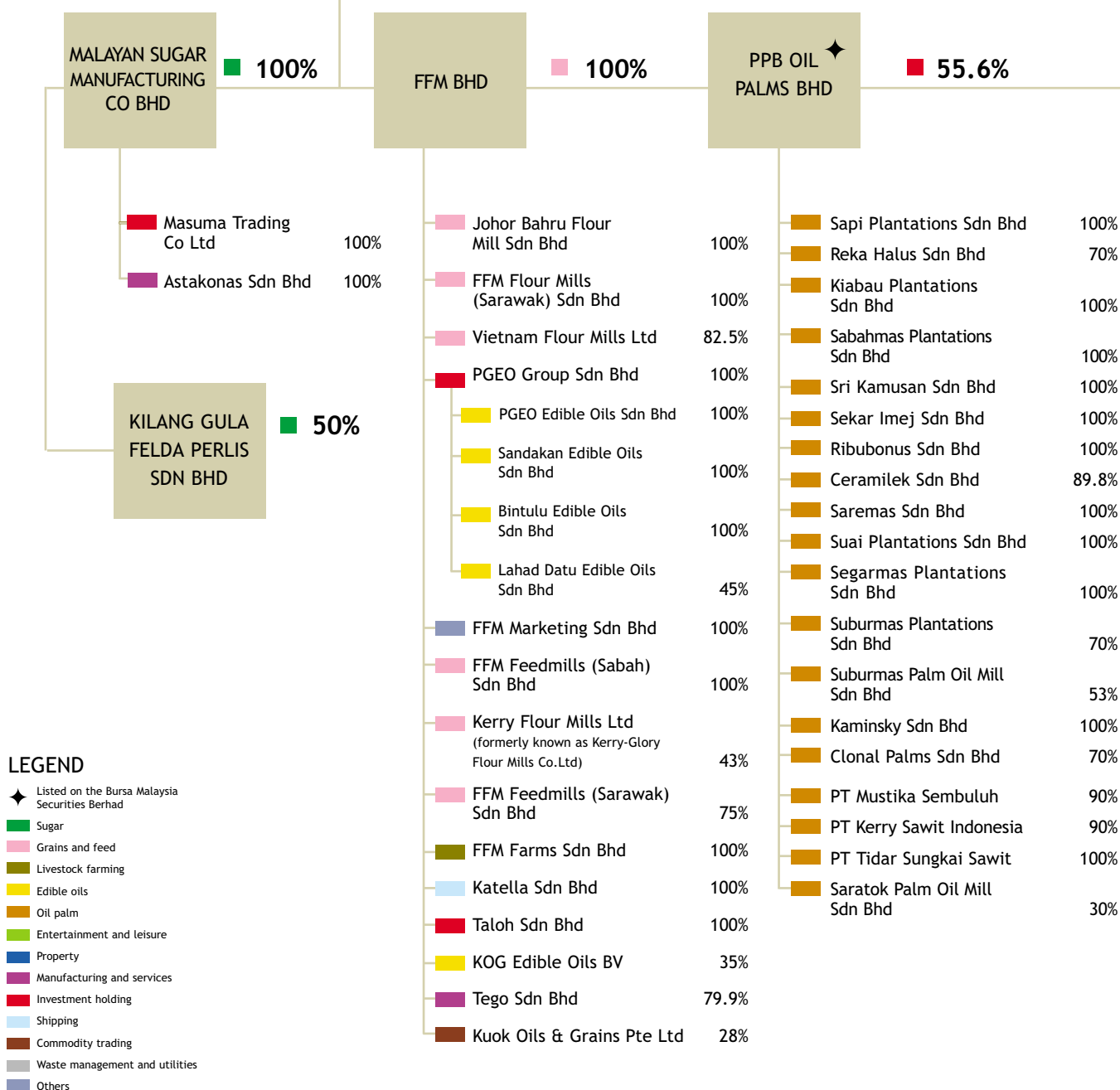
\*These transactions were entered into by FFM Berhad ("FFM") and its subsidiary companies under a Shareholders' Mandate granted at the Annual General Meeting of FFM held on 11 May 2004. FFM became a wholly-owned subsidiary of PPB on 25 August 2004 and was delisted from the Main Board of Bursa Malaysia Securities Berhad on 14 October 2004 following its privatisation by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965.

# CORPORATE STRUCTURE

AS AT 15 MARCH 2005



PPB GROUP BERHAD



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

