THE BUSINESS

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Opportunities are created from the seed of creativity.

PPB'S CAPABILITY FOR EXPANSION AND GROWTH.

MSM

SUGAR REFINING & CANE PLANTATION

MSM's refined sugar storage at Prai

The Group's sugar refining operations are undertaken by its wholly-owned subsidiary, Malayan Sugar Manufacturing Company Berhad (MSM) and 50% associate, Kilang Gula Felda Perlis Sdn Bhd (KGFP).

MSM's sugar refinery at Prai, Province Wellesley started operations in 1964 and has become the region's largest sugar refinery with a melting capacity of 2,000 tonnes of raw sugar per day. The refinery produces various types of sugar for industrial and household consumers. Its customers consist of major food and beverage industries, confectionaries, hotels, restaurants, food outlets and household consumers. MSM together with KGFP supply approximately 60% of the domestic sugar requirements.

REVIEW OF OPERATIONS

Sugar operations registered a lower profit of RM90.76 million for year 2005 (2004 : RM143.34 million) due to higher raw material prices.

Despite difficult trading conditions, MSM managed to increase its domestic sales by 6.1% whilst sugar exports reduced from 107,100 mt to 97,600 mt with less export sales to Indonesia.

During the year under review, MSM completed the conversion of its existing steam boilers to operate on natural gas which reduced MSM's fuel cost and consumption significantly.

In its continuous efforts to improve efficiency of its operations, MSM invested a total of RM12.5 million in 2005 to increase its refined sugar storage capacity, improve the filtration capacity at its Melting Station and upgrade other plant and machineries.

PPB's 4,350-hectare sugar cane plantation at Chuping, Perlis harvested 214,941 mt of cane in the 2004/2005 season, a 30% decrease from the previous season of 305,129 mt due to unfavourable weather. The cane is processed at an integrated sugar mill and refinery owned by KGFP.

LOOKING AHEAD

Sugar refining operations expect to record a lower profit in 2006 as sugar refining margins continue to be affected by high raw sugar prices.

Field maintenance at PPB's cane plantation in Chuping, Perlis

FFM

GRAINS TRADING, FLOUR & FEED MILLING


Grain storage silos at Pulau Indah

PPB Group's grains trading, flour and feed milling activities are held under FFM Berhad (FFM), a wholly-owned subsidiary of PPB.

FFM Group is one of the largest flour millers in Malaysia supplying more than 40% of the country's wheat flour requirements. FFM's milling complexes are strategically located in South Port, Port Klang; Pasir Gudang, Johor Bahru; Pulau Indah, Port Klang; Kuching, Sarawak and Vietnam with a total milling capacity of 2,430 mt per day. Kerry Flour Mills Ltd, a 43.35% associate of FFM, operates a 250 mt per day flour mill in Thailand.

FFM is also one of the biggest feed millers in Malaysia, operating five feed mills in Peninsular and East Malaysia with a total capacity of 125 mt per hour.

REVIEW OF OPERATIONS

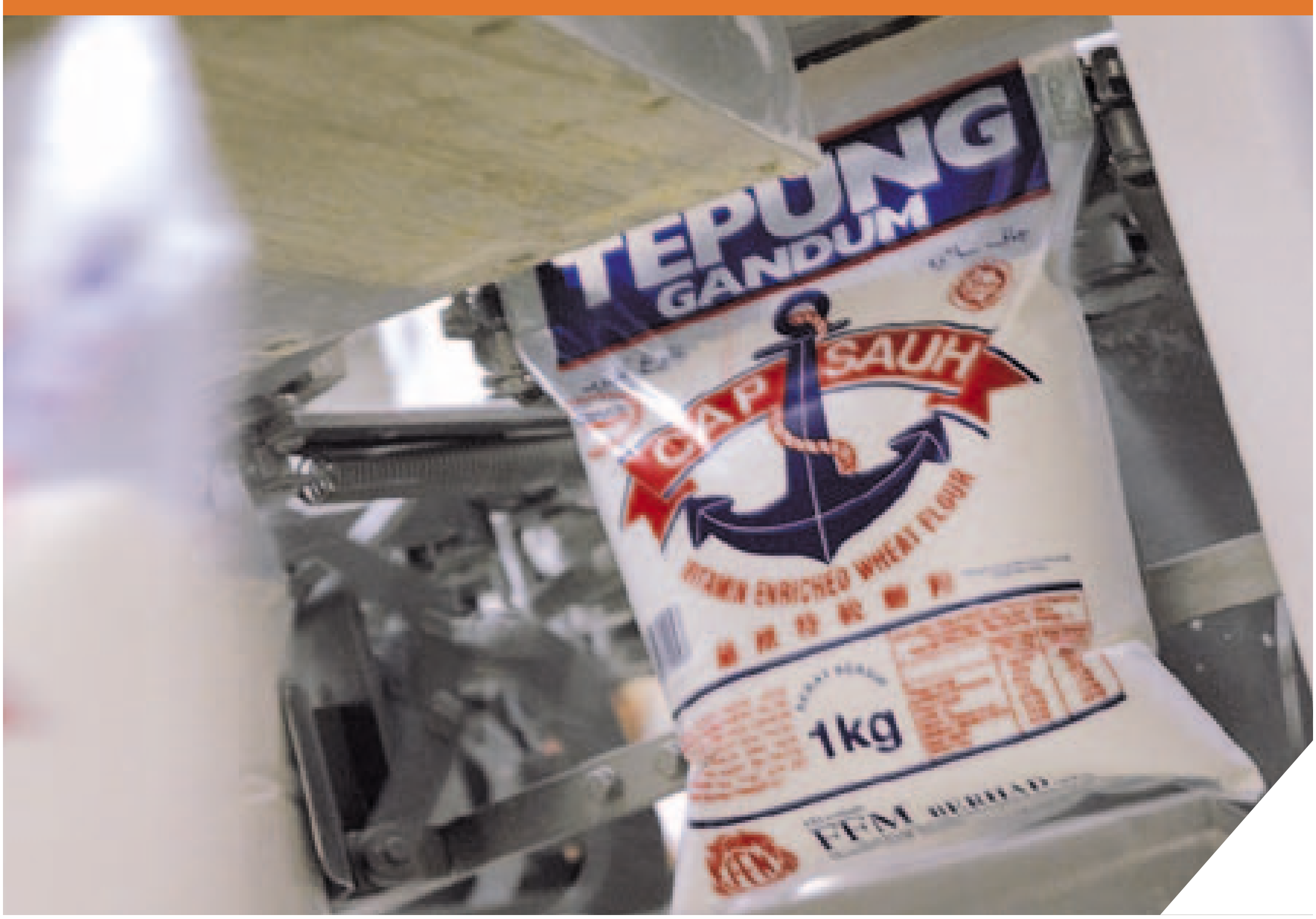
Profit contribution from the Group's grains trading, flour and feed milling division for 2005 improved to RM57.43 million, up 34.4% from the previous year (2004 : RM42.75 million).

Domestic flour sales registered a healthy growth of 8% for the year compared with the previous year due mainly to FFM's expansion into East Malaysia where there is a growing market. In November 2005, FFM's 2nd flour mill with a daily wheat milling capacity of 500 mt located next to the existing flour mill at Pulau Indah was commissioned bringing a combined total wheat milling capacity of 1,000 mt in Pulau Indah. The two flour mills in Pulau Indah will take over FFM's main production facility in South Port which is being relocated in stages and will be fully completed by the 2nd Quarter of 2006. FFM's flour mills are strategically located for better coverage and service to its customers.

In spite of the Government's decision to increase broiler ceiling price, FFM Group's feed sales in 2005 showed a marginal decrease of 6% compared to 2004 due to the outbreak of avian flu virus in the neighbouring countries. A new feed mill with a mixing line at Pulau Indah was completed in December 2005. The relocation of feed pelletising lines from South Port to Pulau Indah is in progress and expected to be completed by the 2nd Quarter of 2006.

LOOKING AHEAD

FFM Group will continue to expand its flour and feed milling businesses both within Malaysia and overseas and also venture downstream in its farming activities.



FFM Group supplies more than 40% of the country's wheat flour requirements

FFM FARMS

LIVESTOCK FARMING

Layer farm in Trong, Perak

The Group's Livestock Farming operation is undertaken by FFM Farms Sdn Bhd (FFM Farms), a wholly-owned subsidiary of FFM Berhad.

FFM Farms owns and operates two broiler breeder farms in Sua Betong, Negeri Sembilan and Gurun, Kedah covering a total area of 167 hectares with a total monthly production capacity of 3.0 million broiler day-old-chicks.

Its layer farm located in a 550-acre land at Trong, Perak has a monthly production capacity of 20.0 million eggs and produces organic fertilizer from fully composted poultry manure.

REVIEW OF OPERATIONS

For the year under review, the Group's livestock farming operation recorded significantly higher profits of RM18.85 million (2004 : RM2.55 million) against a higher revenue of RM83.95 million (2004 : RM63.91 million) due to better day-old-chick and egg prices.

The Avian Influenza outbreak has been a major factor affecting the supply of broilers and eggs in 2005 caused mainly by the interrupted and reduced intake of Parent Stocks as well as reduced intake of broiler chicks by commercial farmers. This led to a shortage of broilers and eggs in the market resulting in higher prices for the producers.

In 2005, FFM Farms' breeder farm in Gurun and layer farm in Trong received accreditations from the Department of Veterinary Services for Good Animal Husbandry Practices under a scheme promoted by the Ministry of Agriculture and with this, all farms under FFM Farms are officially accredited.

LOOKING AHEAD

FFM Farms is sourcing for suitable lands for expanding its operations and plans are underway to increase the capacity of its organic fertilizer plant at Trong Layer Farm.

In line with the Group's strategy to invest in downstream activities for synergistic growth, FFM is planning for a meat processing plant in Pulau Indah for which approval for building plans is being processed by the various departments of Majlis Perbandaran Klang.

Fresh eggs from FFM Farms ready for delivery to retail outlets

PGEO

EDIBLE OILS REFINING AND TRADING

Edible Oils Refinery in Pasir Gudang

PPB Group's edible oils refining operations are held through its 100% subsidiary, PGEO Group Sdn Bhd (PGEO Group).

PGEO Group including its associate, owns and operates six refineries in Peninsular and East Malaysia. Annually, PGEO Group refines more than 3.0 million mt of edible oils and about 90% is exported overseas to India, China, EU countries, Middle East, Pakistan and Russia whilst the balance is sold locally.

PGEO has integrated downstream into the production of shortening, hydrogenated products, cocoa butter replacers and retail packaging. The majority of these products are exported whilst the cooking oils packed under various brands such as "Neptune" and "Seri Murni" as well as "Blue Team" shortening are marketed locally by FFM Marketing Sdn Bhd, a wholly-owned subsidiary of FFM Berhad.

REVIEW OF OPERATIONS

The Group's edible oils refining and trading operations registered profits of RM126.24 million, an increase of 9.8% from the previous year (2004 : RM115.02 million) due to higher sales volume and better contributions from its downstream activities particularly in the manufacturing of specialty fats, hydrogenated and soyabean products. Revenue decreased by 4.4% to RM8.126 billion compared to RM8.503 billion in 2004 due mainly to lower edible palm oil prices.

PGEO Group refineries recorded a 6% increase in production to 3.6 million mt from 3.3 million mt in year 2004. The increase is attributable to the higher Crude Palm Oil (CPO) production especially in East Malaysia during the year.

During the year under review, PGEO Group implemented several expansion projects to cater for current and future needs. In February 2005, PGEO Group completed the construction of a boiler house for the Biomass-fired Steam Generator Plant in Lumut which generates biomass renewable energy for cost savings on fuel. The expansion of a 200 mt Kernel Crushing Plant in Bintulu was completed in the second quarter of 2005. In Pasir Gudang, PGEO Group expanded its hydrogenation plant, increased its tank farm capacity by an additional 6,000 mt and constructed the third dry fractionation plant for the production of specialty fats in 2005.

LOOKING AHEAD

PGEO Group has several new projects to further strengthen its position in the competitive edible oils market. PGEO will be undertaking upgrading works to ensure that its production technology is ahead or at least in tandem with global standards and its products are in compliance with current and future customers' requirements.

For 2006, PGEO will be installing a Biomass-fired Steam Generator Plant in Sandakan for the supply of steam to its factory in Sandakan as well as completing the acquisition of industrial lands in Bintulu and Sandakan.

PGEO Group is constantly exploring new opportunities particularly in the oleochemical and biodiesel industries as well as continually emphasize on its research and development to identify other downstream or value added products that will create valuable market opportunities for the Group.

With a well-planned expansion strategy, the Group is confident of laying a stable and progressive route to further excel in related industries.

NEPTUNE blended cooking oil

PGEO TEGO

PACKAGING

Tego's office at Senawang Industrial Estate in Seremban

The Packaging Division is held through PGEO Edible Oils Sdn Bhd (PGEO) and Tego Sdn Bhd (Tego) in which PPB Group has 100% and 79.9% equity interest respectively.

PGEO operates a consumer packing plant in Pasir Gudang, Johor for packing of edible oils into Tin Cans, PET bottles, HDPE containers (Jerry can), BIB (Bag-in-Boxes) and steel drums. Most of these packed products are for export whilst some brand names such as "Neptune" and "Seri Murni" are distributed locally. Its two drum assembly lines produce 210-litre steel drums at a combined production capacity of 800 drums per hour.

Tego manufactures polybags for the packing of sugar, flour, feedmeal, fertilizer and industrial chemical products; flexible intermediate bulk container (FIBC) bags for bulk cargoes; technical fabrics for industrial applications; and sewing threads for local as well as export markets. Tego has two factories located in Senawang, Negeri Sembilan and another in Yangon, Myanmar which have a combined monthly production capacity of 650 mt of polypropylene products.

REVIEW OF OPERATIONS

Packaging Division achieved lower profits for year 2005 of RM4.88 million (2004 : RM9.41 million) against a 7.7% increase in revenue to RM135.16 million (2004 : RM125.49 million).

Although steel prices dipped in the second half of 2005, sales for steel drums declined by 5% for the year compared to year 2004 as users converted from using steel drums for packaging to plastic drums, flexi bags and intermediate bulk containers (IBC). Edible oils packaging operations maintained its sales with the stable demand for edible oils.

For the year under review, Tego Group achieved a lower consolidated pre-tax profit of RM1.87 million (2004 : RM2.01 million) on an improved revenue of RM71.72 million (2004 : RM68.8 million) due mainly to higher raw material costs and unfavourable price competition.

LOOKING AHEAD

PGEO expects its steel drum manufacturing segment to perform better with the improved steel prices whilst its edible oils packaging business is expected to be consistent in view of the stable demand for edible oils.

Tego has commenced expansion of its production capacity of FIBC bags from 35,000 pcs to 50,000 pcs per month at its Myanmar plant. The expansion works are scheduled for completion by April 2006 to meet customer demand.

Although raw material prices are expected to remain high in 2006 and intense competition is likely to continue, Tego is determined to maintain its market share in polypropylene woven bags. Tego will also continue to improve its product range in the technical fabrics and FIBC sectors where there are potential growth.

Polyethylene and polypropylene woven fabrics are produced by Tego for the domestic and export market