

PPBOP

OIL PALM PLANTATIONS



PPBOP Group produced a total of 1,441,888 tonnes of FFB in 2005

Oil palm plantations operation is one of the core businesses of the Group and is held through its 55.7% - listed subsidiary, PPB Oil Palms Berhad (PPBOP).

PPBOP has a planted area of 62,608 hectares in East Malaysia, of which 54,456 hectares are mature and eight crude palm oil (CPO) mills. In Indonesia, PPBOP has 24,019 hectares of planted area of which 9,160 hectares are mature and one CPO mill.

	Total Area (ha)	Planted Area (ha)		Mature Area (ha)		FFB Production (mt)		Average Yield (mt/mature ha)		Profit Before Tax (RM Million)	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sabah	51,135	39,131	37,761	33,134	32,729	813,156	704,366	24.5	21.5	99.0	131.8
Sarawak	28,882	23,477	23,289	21,322	21,100	465,948	439,486	21.9	20.8	72.0	88.2
East Malaysia	80,017	62,608	61,050	54,456	53,829	1,279,104	1,143,852	23.5	21.2	171.0	220.0
Indonesia	283,221	24,019	18,061	9,160	7,948	162,784	124,549	17.8	15.7	(1.7)	6.9
Total	363,238	86,627	79,111	63,616	61,777	1,441,888	1,268,401	22.7	20.5	169.3	226.9

REVIEW OF OPERATIONS

PPBOP Group recorded a lower profit before tax of RM204.33 million for year 2005 (2004 : RM264.30 million) of which the plantation operations contributed RM169.32 million (2004: RM226.85 million). The 23% drop in profits was due to lower CPO prices compounded by higher operating expenditure due to the increase in fertilizer and fuel costs. However, higher CPO production moderated the drop in profits resulting from the lower CPO prices. Revenue of RM583.74 million (2004 :RM588.44 million) was marginally lower due to lower palm product prices realized.

CPO prices averaged RM1,349 per tonne in 2005, 16% lower than the previous year's average price of RM1,610 per tonne.

PPBOP's planted area increased by 10% to 86,627 hectares during the year while the mature area grew by 3% to 63,616 hectares. Production of fresh fruit bunches (FFB) improved by 14% to 1,441,888 tonnes, while the average yield per hectare increased by 11% to 22.7 tonnes. The average yield is expected to improve further as more mature palms reach their prime production age.

PPBOP's ninth CPO mill was commissioned in Sabah in early 2005. All nine CPO mills processed 1,806,353 tonnes of FFB from its own plantations and outside suppliers, an increase of 16% over 2004. Mill performance continued to improve during the year with oil extraction rate (OER) of 21.9% and kernel extraction rate (KER) of 4.6%. CPO output from the mills rose by 17% to 395,249 tonnes, mainly due to higher own FFB production and outside FFB purchases.

During the year under review, PPBOP expanded its land bank to 363,238 hectares through acquisitions totaling 169,251 hectares for oil palm plantation development in Central Kalimantan, Indonesia. The total area is subject to the issuance of final "Hak Guna Usaha" from the authorities.

LOOKING AHEAD

In the second half of 2006, two mills, one each in Sabah and Indonesia, are scheduled for completion. The commissioning of these two mills will increase PPBOP Group's milling capacity to 2.425 million tonnes of FFB per annum.

FFB production is expected to increase further as new areas come into maturity and as more mature areas reach their prime. Mill extraction rates are expected to be maintained at current levels and CPO output is expected to increase further with higher projected FFB production from own plantations and outside FFB purchases.

The Group's main focus will be on the development of its sizeable Indonesian land bank and increasing the operation efficiency of its mature areas in East Malaysia and Indonesia.



Young seedlings before field planting

CWM

ENVIRONMENTAL
ENGINEERING, WASTE
MANAGEMENT & UTILITIES



SITAMAS trucks used for waste disposal

The environmental engineering, waste management and utilities operations are undertaken by Chemical Waste Management Sdn Bhd (CWM), a 99% subsidiary of Chemquest Sdn Bhd (Chemquest).

CWM is the leading provider of innovative, advanced technologies and professional management to the water, sewage and solid waste industries.

Chemquest Overseas Limited, a wholly-owned subsidiary of Chemquest, is the investment vehicle for Chemquest Group's overseas projects including the RMB201 million Lugouqiao Sewage Treatment Plant (Phase 1) in Beijing, China and a 30-year concession to process and deliver treated water to the inhabitants of Hohhot, the capital city of Inner Mongolia, China.

REVIEW OF OPERATIONS

CWM registered a lower revenue of RM64.28 million (2004 : RM123.41 million) due to lesser number of projects realized during the year. Correspondingly, a lower profit before tax of RM15.66 million (2004 : RM24.11 million) was recorded.

CWM successfully completed four projects in 2005 with a combined contract value of RM108.9 million. These are the construction of a pumping station for the Bukit Badong Distribution and Supply System and three other projects at the Sungai Semenyih Water Treatment Plant comprising the replacement and upgrading of transformers at the Raw and Treated Water Pumping Stations; the upgrading and rehabilitation of the Chemical Plant; and the Desludging System.

In the same year, CWM secured two new Design-and-Build projects in Pulau Pinang totaling RM114.3 million which are currently in progress namely, a potable ultra-filtration treatment plant at Bukit Pancor using membrane technology and a Sewage Treatment Plant at Jelutong.

On 31 October 2005, CWM entered into a conditional Sale & Purchase Agreement to dispose of its entire 25% equity interest in Konsortium Abass Sdn Bhd which was awarded a 30-year concession to operate and maintain the Sungei Semenyih Water Supply Scheme, for a total cash consideration of RM132.0 million.

With its experience and knowledge in the solid waste industry, CWM successfully assisted Kerry-CQ (Changzhou) Waste Incineration Ltd, a 49% associate of the Chemquest Group and its consortium in winning the investment bid for the RMB330 million Changzhou Waste-to-Energy Plant with a treatment capacity of 750 tonne/day in Jiangsu Province, China in March 2005. Kerry-CQ (Changzhou)'s equity interest in the consortium is 45%.

LOOKING AHEAD

CWM will continue its efforts to seek opportunities to expand its range of services, explore new markets both locally and overseas and leverage on strategic partnerships for sustainable growth.



Treated water pumping station