

EDIBLE OILS REFINING AND TRADING



PGEO Group's operation at

Pasir Gudang, Johor.



PGEO Group Sdn Bhd was formed in December 2000 to consolidate the edible oils refining operations of FFM Berhad and PPB Oil Palms Berhad under a common holding company for greater efficiency. PGEO Group is one of the major palm oil exporters in Malaysia.



Hydrogenation plant in Pasir Gudang

EDIBLE OILS REFINING AND TRADING

REVIEW OF OPERATIONS

The refinery business performed satisfactorily despite poor refining margins and overseas competition to record profits of RM38.2 million against a revenue of RM5.738 billion.

The edible oils refining operations of the Group are held through its 100% subsidiary, PGEO Group Sdn Bhd (PGEO).

PGEO Group with a refining capacity of 11,700 mt per day is one of the largest palm oil refiners in the country. In 2002, PGEO Group including its associate, Lahad Datu Edible Oils Sdn Bhd, refined 3.46 million mt of edible oils. During the year, PGEO closed its Pandamaran refining operations due to its higher cost of securing crude palm oil.

Its other six refineries are located in Prai, Lumut, Pasir Gudang, Bintulu, Sandakan and Lahad Datu. About 90% of PGEO Group's production is exported to India, China, Middle East, Pakistan, EU countries and Russia whilst the balance is sold locally.

PGEO Group has also integrated downstream into the production of shortening, hydrogenated products, cocoa butter replacers as well as retail packaging. 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 Bhd.



A close-up photograph of a male scientist with dark hair, wearing safety glasses and a white lab coat. He is looking intently through the eyepiece of a large, professional-grade microscope. The microscope is black and silver, with various adjustment knobs and lenses visible. The background is slightly blurred, showing what appears to be a laboratory setting with other equipment.

During the year, PGEO commissioned two fractionation plants at Sandakan and Bintulu to fractionate Crude Palm Oil and RBD Palm Oil at a total cost of RM10.4 million. To date, the Group's fractionation plant production capacity is 11,350 mt per day. In addition, a Palm Kernel oil fractionation plant for production of cocoa butter replacers commenced operation in July 2002 at Pasir Gudang with an investment cost of RM9.1 million.

BINTULU EDIBLE OILS SDN BHD (BEO), A 86% SUBSIDIARY OF PGEO GROUP, EXPANDED ITS EXISTING KERNEL CRUSHING PLANT FROM 450 MT TO 650 MT PER DAY AT A TOTAL COST OF RM4.1 MILLION. BEO ALSO CONSTRUCTED A NEW PALM KERNEL EXPELLER WAREHOUSE AND AN ADDITIONAL STEEL STORAGE TANK AT ITS REFINERY IN BINTULU, SARAWAK AT A TOTAL COST OF RM2.8 MILLION.

Commodity trading under its associate, Kuok Oils & Grains Pte Ltd, performed well in favourable trading conditions.

PACKAGING

T E G O

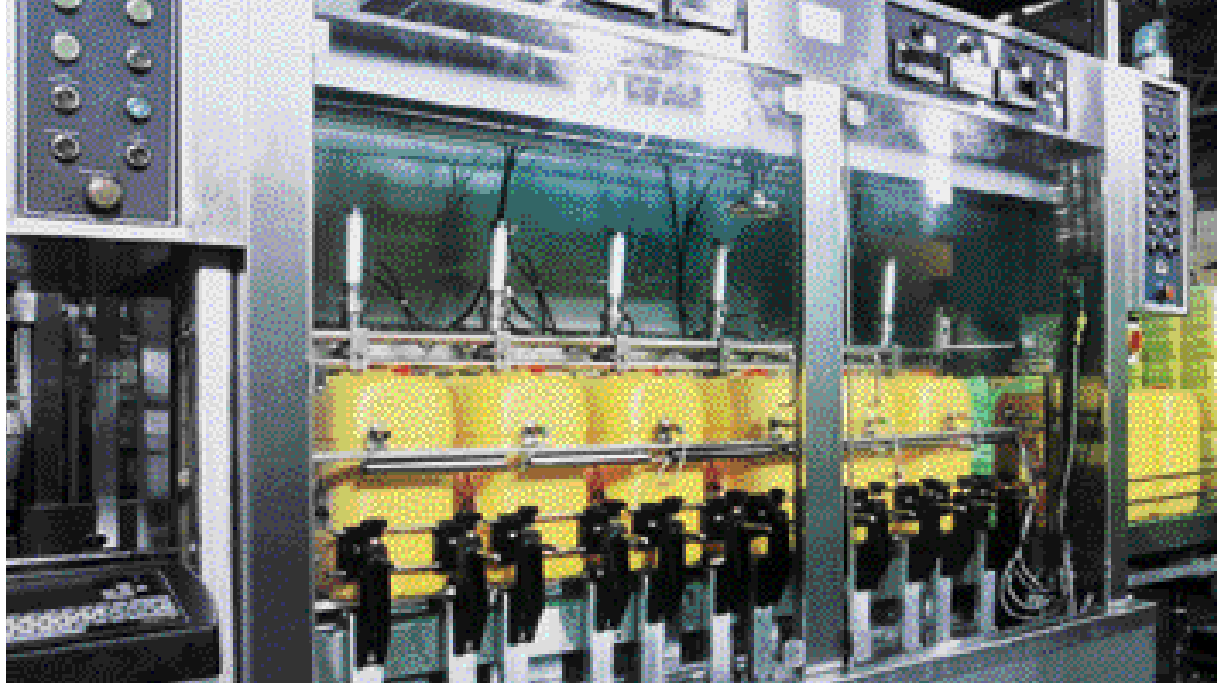
Tego Sdn Bhd in **Senawang**, Negeri Sembilan.

Tego Sdn Bhd, being amongst the earliest to set up in Malaysia, has gained a strong foothold in the polypropylene packaging industry.

Tego now operates three factories utilizing technologically advance machinery supported by an experienced technical workforce.

Tego supplies 20% of the local market's PP/PE packaging products





Jerry can filling line

PGEO Edible Oils Sdn Bhd in



Pasir Gudang, Johor.

PGEO operates a consumer packing plant in Pasir Gudang, Johor for the packing of edible oils into tin cans, PET bottles, HDPE containers (Jerry can) and Bag in Box (BIB).

PACKAGING

REVIEW OF OPERATIONS

Profit contribution from the Packaging Division improved to RM9.6 million from RM1.3 million in the previous year on a 13% increase in revenue to RM99.3 million.

The Group's Packaging Division is held through FFM's wholly-owned subsidiary, PGEO Edible Oils Sdn Bhd (PGEO) and 79.9% subsidiary, Tego Sdn Bhd (Tego).

PGEO operates a consumer packing plant in Pasir Gudang, Johor for packing of edible oils into tin cans, PET bottles, HDPE containers (Jerry can) and Bag in Box (BIB). Most of these packed products are for export whilst some packed oils in bottles under brand names of "Neptune" and "Seri Murni" are for local distribution.

PGEO's other operation includes the production of steel drums. Its two drum assembly lines produce 210-litre steel drums at a combined production capacity of 800 drums per hour.

Tego manufactures polybags for sugar, flour and industrial chemical products as well as container bags for bulk cargoes. Tego's two factories located in Senawang, Negeri Sembilan supply 20% of the local market whilst its factory in Yangon, Myanmar cater mainly to their local market.

Tego's profits have been hampered by intense competition and to compete, Tego is focusing more on product innovation and the development of industrial fabrics. Tego invested in a scanner and melt pump for better control of its tolerance parameters to produce low shrinkage fabric for the Australian market.



The background of the page is a photograph of a large industrial facility, likely a textile or manufacturing plant. It features a complex network of steel beams, pipes, and machinery. Large rolls of material are visible, and the overall atmosphere is one of a busy, large-scale industrial environment.

LOOKING AHEAD

TEGO IS CONSTANTLY LOOKING INTO DEVELOPING NEW PRODUCTS WHICH INCLUDE LOW SHRINKAGE FABRIC FOR VARIOUS INDUSTRIAL APPLICATIONS, CIRCULAR IN-SIDE LAMINATION BAGS AND PET EGG-TRAYS. IN ADDITION, TEGO IS ALSO EXPORTING HIGHER END FIBC (BULK BAGS) TO PRIMARILY JAPANESE MARKETS AND IS PURSUING FURTHER IMPROVEMENT IN ITS PP SEWING YARN PRODUCTS.