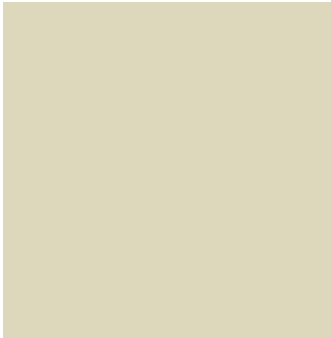


60	FINANCIAL REVIEW
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THE FINANCIALS





Review of Financial Results

PPB Group Bhd achieved a consolidated profit before tax of RM733.5 million in 2004, its best financial performance to-date, representing an increase of 4% from the previous year's Group profit of RM707.4 million.

Revenue for the year grew by 18% from RM9.3 billion to RM11.0 billion in year 2004 mainly due to favourable selling prices of palm oil and its related products, increased crop production, and higher sales volume of edible oils.

At the operating level, the oil palm plantation division contributed higher profits mainly due to favourable prices for its palm products and increased crop production. The edible oils refining and shipping divisions earned higher profits whilst contributions from the sugar refining, grains trading, and flour and feed milling operations were lower due to higher raw material prices and ocean freight rates. The Group's associated company engaged in edible oils trading has contributed lower profits due to difficult trading conditions. All other main business activities achieved satisfactory results.

Profit attributable to shareholders of PPB Group increased by 8% from RM371.3 million to RM400.7 million. Earnings per share was 75.8 sen for 2004, calculated based on the weighted average numbers of shares issued in the year, taking into account the new shares issued pursuant to the privatization of FFM Group Berhad. Earnings per share for 2003 was 75.7 sen.

Cash Flows

Net cash generated from operating activities decreased by 16% from RM527.4 million in 2003 to RM442.8 million in 2004 with more cash being utilized in funding the Group's working capital. The net cash used in investing activities increased from RM137.0 million to RM479.7 million in 2004 mainly due to acquisition of additional shares in FFM Berhad amounting to RM204.3 million. Investment in new associated companies amounted to RM66.0 million whilst RM63.9 million was advanced to associated companies. Proceeds from disposal of other investments yielded RM44.9 million cash for the Group in 2004. Purchases of property, plant and equipment of RM256.4 million were incurred during the year and financed mainly by internal generated funds. The net cash used in financing activities increased slightly from RM140.8 million in 2003 to RM149.5 million.

Dividends

The Directors recommend a final dividend of 10 sen per share comprising 7.5 sen less tax and 2.5 sen tax exempt, amounting to RM46.8 million. Together with the first and second interim dividends paid of 20 sen per share comprising 15 sen less tax and 5 sen tax exempt, PPB's total dividend payment for the financial year 2004 would be 30 sen per share. Total net dividend would amount to RM140.5 million, a 40% increase from the RM100.7 million paid in 2003. The net dividend amount represents a payout ratio of 75% of the Company earnings in 2004.

Review of Financial Situation and Debt

As at 31 December 2004, the Group's borrowings are higher at RM508.0 million compared with RM474.8 million in 2003 out of which 42% amounting to RM215.7 million are bills payable comprising bankers' acceptances used to finance trade operations.

The balance of 58% amounting to RM292.3 million and representing a gearing ratio of 7% over shareholders funds consists of :-

- a. short term loans, revolving credits, overdraft and hire purchase liabilities amounting to RM142.5 million which are repayable within 12 months; and
- b. term loans and hire purchase liabilities totaling RM149.8 million of which majority are repayable between 2 to 5 years.

Most of the Group's borrowings are unsecured on floating interest rates ranging from 1.70% to 7.75% for the year. The Group's exposure to foreign currency borrowings is RM237.1 million of which about 84% is USD denominated.

Group Capital Expenditure in year 2004

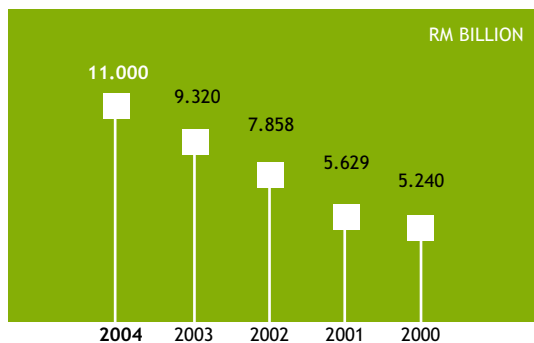
Total capital expenditure incurred during the year amounted to RM251.5 million and the major items are as follows:-

- FFM Group incurred RM22.3 million on the construction and upgrading of flour and feed mill at Pulau Indah in Klang and Prai; RM21.2 million on upgrading of edible oil refineries, dry fractionation plants, consumer pack plant, boiler and storage tank; RM7.4 million on calcium salt plant; RM6.6 million on purchase of land and warehouse in Kota Bahru, Kuching and Sandakan; and RM7.3 million on other plant and machinery.
- PPBOP Group spent RM55.0 million on new planting and maintenance of immature palms; RM20.0 million for the provision of housing, social amenities and recreational facilities for employees; RM29.5 million for the construction and completion of two CPO mills in Sabah and Sarawak; and RM25.0 million for the purchase of motor vehicles, agricultural machinery and implements to speed up mechanisation.
- MSM Group spent RM18.3 million on upgrading of plant and machinery for its sugar refinery at Prai, Province Wellesley.
- PPB Hartabina Sdn Bhd spent RM12.3 million for renovation and refurbishment of Cheras Plaza and Cheras Leisure Mall.
- Chemquest Group spent RM10.5 million for purchase of property, plant and machinery and the construction of a chemical reactor.

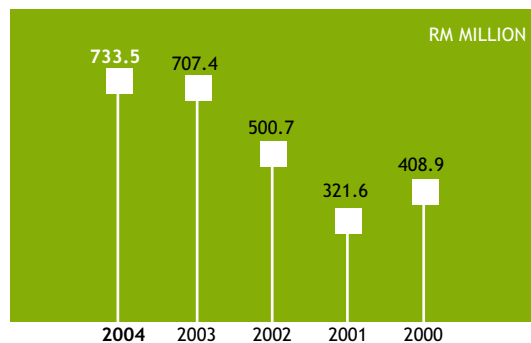
5-YEAR FINANCIAL STATISTICS

Year ended 31 December		2004	2003	2002	2001	2000
Revenue	RM Million	10,999.682	9,319.768	7,857.980	5,629.093	5,240.288
Profit from operations	RM Million	601.970	554.572	377.813	235.119	266.292
Net profit from investing activities	RM Million	81.119	39.666	19.592	15.962	111.053
Share of profits less losses of associated companies	RM Million	65.546	124.644	117.111	84.254	51.181
Profit before taxation	RM Million	733.508	707.360	500.747	321.566	408.855
Net profit for the year	RM Million	400.664	371.253	242.996	170.302	244.482
Net dividend for the year	RM Million	140.482	100.675	210.968	68.688	58.139
Issued share capital	RM Million	592.750	490.623	490.623	490.623	367.967
Shareholders' equity	RM Million	3,960.088	2,988.027	2,701.372	2,775.528	2,653.469
Total assets employed	RM Million	6,133.912	5,805.156	5,338.335	5,211.283	4,958.795
Earnings per share	Sen	75.80	75.67	49.53	34.71	49.83
KLSE Quotes						
High	RM	8.05	6.55	4.32	4.20	4.58
Low	RM	6.10	3.86	3.30	2.50	2.64
Close	RM	6.80	6.55	3.94	3.32	3.52
No. of shareholders		10,547	8,673	8,528	7,928	8,504

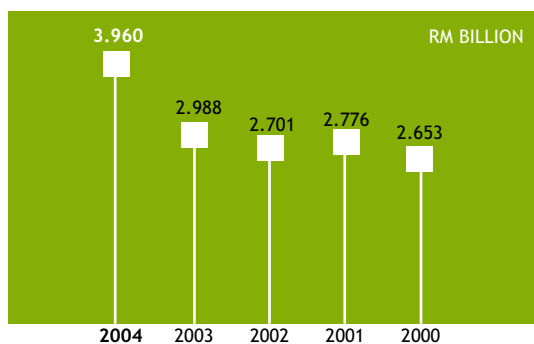
REVENUE



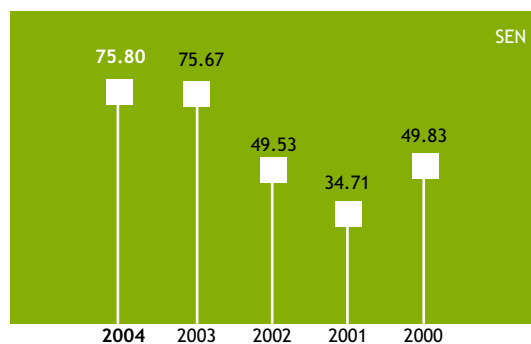
PROFIT BEFORE TAX



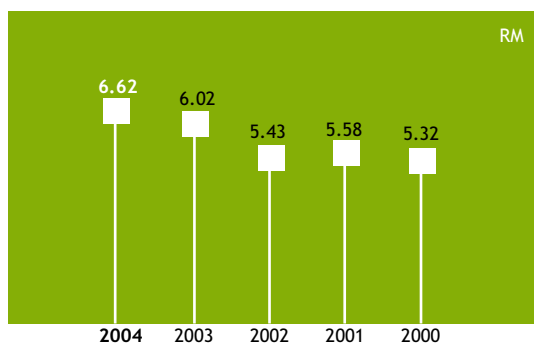
SHAREHOLDERS' EQUITY



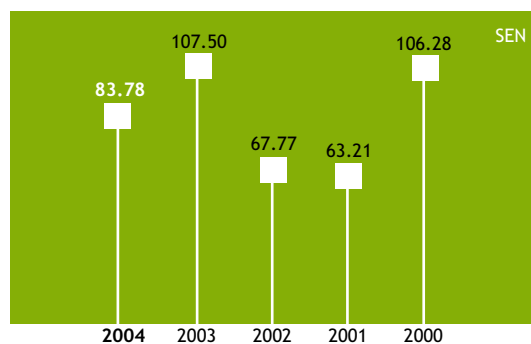
EARNINGS PER SHARE



NET TANGIBLE ASSETS PER SHARE

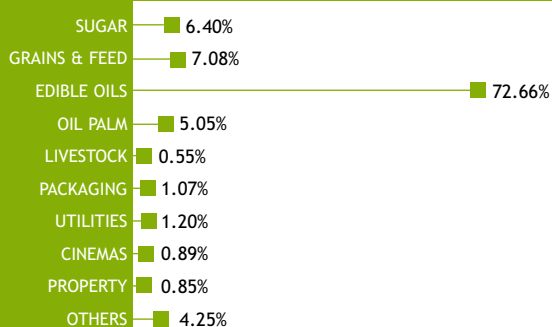


OPERATING CASH FLOW PER SHARE

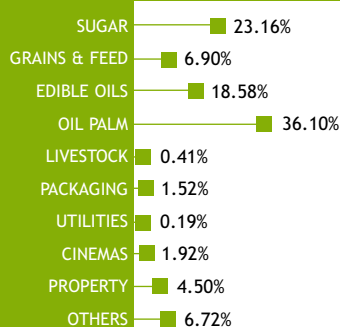


SEGMENTAL ANALYSIS

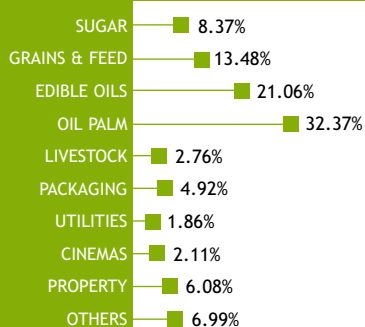
REVENUE RM10,999.682 MILLION



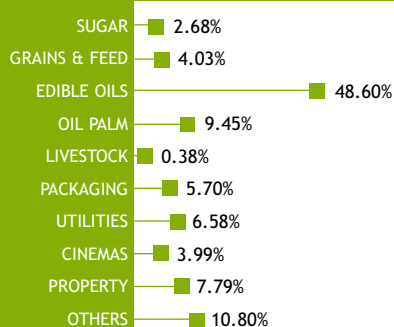
OPERATING PROFITS RM601.970 MILLION



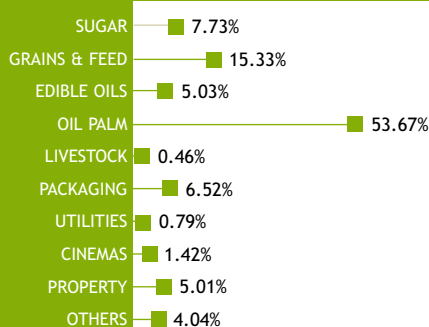
ASSETS RM4,398.949 MILLION



LIABILITIES RM526.874 MILLION



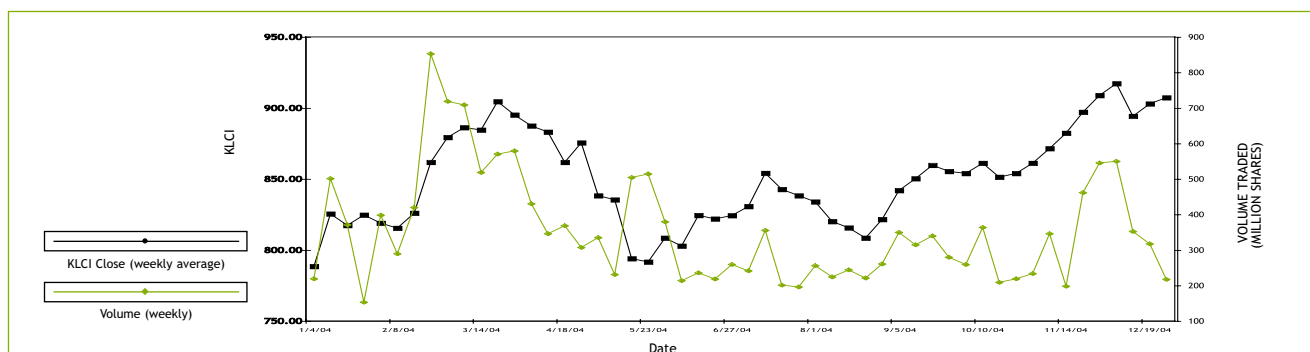
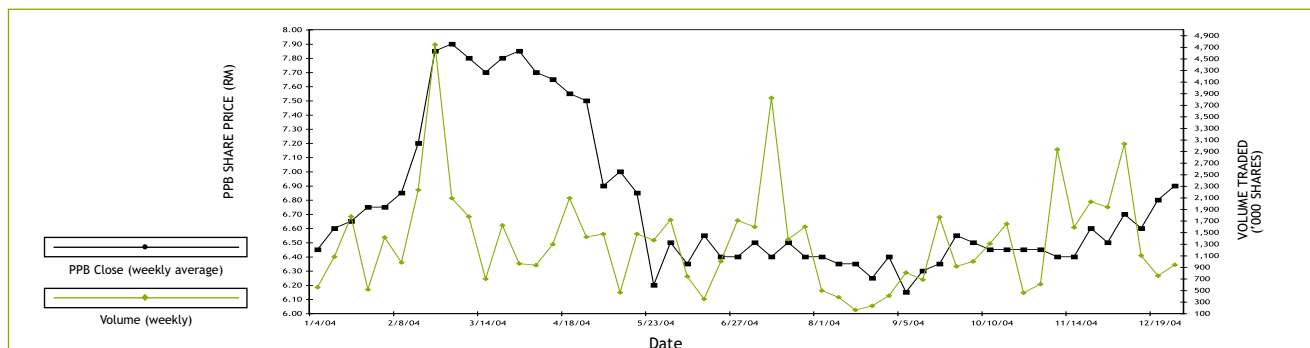
CAPITAL EXPENDITURE RM251.465 MILLION



SUGAR	Sugar refining & cane plantation
GRAINS & FEED	Grains trading, flour and feed milling
EDIBLE OILS	Edible oils refining & trading
OIL PALM	Oil palm plantations
LIVESTOCK	Livestock farming
PACKAGING	Packaging
UTILITIES	Environmental engineering, waste management & utilities
CINEMAS	Film exhibition & distribution
PROPERTY	Property investment & development
OTHERS	Other operations

Note : Percentage of contribution is computed before inter-segmental transactions elimination.

PPB'S WEEKLY SHARE PRICE & VOLUME TRADED FOR YEAR 2004



KL COMPOSITE INDEX & VOLUME TRADED FOR YEAR 2004

Information on KLCI and PPB's Share Price

Year 2004 started off on a positive note for Bursa Malaysia. Bullish sentiments boosted by several factors, some of which were the appointment of Datuk Seri Najib Tun Razak as Malaysia's Deputy Prime Minister, Malaysia's reinstatement into the California Public Employee Retirement Scheme, the release of strong 4th Quarter 2003 GDP numbers and Barisan Nasional's victory in the General Elections led the KLCI to advance by 13.6% in the 1st Quarter compared with the previous quarter.

In the 2nd Quarter, interest in the Bursa Malaysia started to fizzle out as investors were cautious of the external concerns from rising interest rates in the US, credit tightening policies in China, renewed fears of SARS to escalating prices of crude oil. The weight of the negative factors eventually led the KLCI to its lowest level for 2004 at 781.05 points on 17 May 2004.

Following a lackluster performance in the 2nd Quarter, the KLCI started to rise in the month of July supported with the strong economic growth and corporate performance. The UMNO elections which was held end of the 3rd Quarter drove market momentum to a high of 865.34 points prior to the annual assembly.

Market sentiments continued to improve to the 4th Quarter and KLCI rose by 6.8% with the influx of foreign funds arising from the speculations of the Ringgit's repeg. Investors' sentiments were further strengthened with the easing of oil prices and the conclusion of the US Presidential elections. The KLCI closed higher at 907.43 points on the last trading of 2004, up 14.3% from 793.94 points in the year before.

On 25 August 2004, 102,126,817 new PPB shares were listed and quoted on Bursa Malaysia pursuant to the privatization of FFM Berhad. The liquidity of PPB shares is expected to improve with the additional shares listed. In line with the year end active trading on the Bursa Malaysia, PPB share price closed at RM6.80 on 31 December 2004, an increase of 3.82% over RM6.55 achieved in 2003 and market capitalization of PPB shares improved to RM 4.0 billion from RM 3.2 billion.

DIRECTORS' RESPONSIBILITY STATEMENT

In preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible to ensure that these financial statements have been prepared to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

In preparing the financial statements for the year ended 31 December 2004 set out on pages 73 to 143 of this Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent.

The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 23 February 2005.

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is engaged in sugar cane cultivation and investment holding.

The principal activities of the Group are sugar refining; grains trading, flour and animal feed milling; edible oils refining and trading; livestock farming; packaging; oil palm cultivation; environmental engineering, waste management and utilities; film exhibition and distribution; property development and shipping.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	549,716	186,315
Profit attributable to minority interests	(149,052)	-
Net profit for the year	400,664	186,315
Unappropriated profit brought forward	2,207,134	954,155
Effect of changes in group structure	(1,912)	-
Transfer from non-distributable reserves	963	-
Profit available for appropriation	2,606,849	1,140,470
Dividends	(157,043)	(157,043)
Unappropriated profit carried forward	2,449,806	983,427

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year were as follows:-

	RM'000
In respect of the financial year ended 31 December 2003, as disclosed in the Directors' report of that year:	
Final dividend of 16 sen per share comprising 5 sen tax exempt and 11 sen less 28% income tax paid on 28 May 2004	63,388
In respect of the financial year ended 31 December 2004:	
Interim dividend of 10 sen per share comprising 5 sen tax exempt and 5 sen less 28% income tax paid on 27 September 2004	50,977
Second interim dividend of 10 sen per share less 28% income tax paid on 24 January 2005	42,678
	<u>157,043</u>

The Directors recommend the payment of a final dividend of 10 sen per share comprising 2.5 sen tax exempt and 7.5 sen less 28% income tax in respect of the financial year ended 31 December 2004.

Together with the interim dividends already paid, the total dividend payment for the financial year ended 31 December 2004 will be 30 sen per share comprising 7.5 sen tax exempt and 22.5 sen less 28% income tax.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves and provisions during the financial year except as disclosed in the consolidated statement of changes in equity as set out on page 76.

DIRECTORS' REPORT

SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM500,000,000 to RM1,000,000,000 by the creation of 500,000,000 new ordinary shares of RM1.00 each.

The Company also increased its issued and paid-up capital by the issuance of 102,126,817 new ordinary shares pursuant to the Privatisation of FFM Berhad by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965.

The Company did not issue any debentures during the financial year.

DIRECTORS

The Board of Directors since the date of the last report are as follows:-

Datuk Oh Siew Nam	<i>(Executive Chairman)</i>
Dato' Lim Chee Wah	<i>(Deputy Chairman)</i>
Tan Yew Jin	<i>(Executive Director)</i>
Dato Sri Liang Kim Bang	
Ang Guan Seng	
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	
Tan Gee Sooi	<i>(Appointed on 28 July 2004)</i>
Ong Ie Cheong	<i>(Resigned on 1 July 2004)</i>
Koh Mei Lee	<i>(Ceased on 13 August 2004)</i>
<i>(Alternate to Tan Yew Jin)</i>	
Michael Oh Aik Teong	<i>(Ceased on 13 August 2004)</i>
<i>(Alternate to Ang Guan Seng)</i>	

Tan Gee Sooi who was appointed a Director during the year, retires at the forthcoming Annual General Meeting ("AGM") in accordance with Article 88 and, being eligible, offers himself for re-election as Director.

In accordance with Article 107 of the Company's Articles of Association, Dato Sri Liang Kim Bang and Tan Yew Jin retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the interests of Directors who held office at the end of the financial year in shares of the Company and its related corporations were as follows:-

Interest in the Company

Name of Director	As at 1.1.04/ Date of Appointment	No. of ordinary shares of RM1 each registered in the name of Directors			As at 31.12.04
		Bought	Sold		
Datuk Oh Siew Nam	57,333	3,000*	-		60,333
Tan Yew Jin	13,333	-	-		13,333
Tan Gee Sooi	20,333	-	-		20,333

Interest in the Company (continued)

Name of Director	No. of ordinary shares of RM1 each in which Directors are deemed to have interest			As at 31.12.04
	As at 1.1.04	Bought	Sold	
Datuk Oh Siew Nam	280,000	178,250*	-	458,250
Ang Guan Seng	20,778,246	5,250*	-	20,783,496
Tan Yew Jin	40,741	180,625*	-	221,366

* New PPB shares allotted on 17.8.2004 in exchange for FFM Berhad shares on a 1 for 1 basis, arising from the Privatisation of FFM Berhad by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965.

Interest in Subsidiary Companies

Name of Director	Name of Subsidiary Company	No. of ordinary shares of RM1 each registered in the name of Directors			As at 31.12.04
		As at 1.1.04	Bought	Sold	
Datuk Oh Siew Nam	FFM	3,000	-	3,000 [#]	-
	PPBOP	20,000	-	-	20,000
Dato' Lim Chee Wah	PPBOP	10,000	-	-	10,000
Dato Sri Liang Kim Bang	PPBOP	10,000	-	-	10,000
Tan Yew Jin	PPBOP	65,000	-	-	65,000

Name of Director	Name of Subsidiary Company	No. of ordinary shares of RM1 each in which Directors are deemed to have interest			As at 31.12.04
		As at 1.1.04	Bought	Sold	
Datuk Oh Siew Nam	FFM	178,250	-	178,250 [#]	-
	PPBOP	36,000	-	-	36,000
Ang Guan Seng	FFM	5,250	-	5,250 [#]	-
Tan Yew Jin	FFM	180,625	-	180,625 [#]	-
	PPBOP	10,000	-	-	10,000

[#] FFM shares disposed of arising from the Privatisation of FFM Berhad.

FFM = FFM Berhad

PPBOP = PPB Oil Palms Berhad

DIRECTORS' INTERESTS IN CONTRACTS, BENEFITS AND EMOLUMENTS

Neither at the end of the financial year nor at any time during the financial year, did there subsist any arrangements to which the Company is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965 except for Ang Guan Seng who has financial interest in companies which have transactions with certain of the Company's subsidiary companies for sale and purchase of raw materials and finished products in the normal course of business as disclosed in note 44 of the accounts.

INFORMATION ON THE FINANCIAL STATEMENTS

- (a) Before the Group's and Company's Income Statements and Balance Sheets were prepared, the Directors took reasonable steps:-
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:-
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, there does not exist:-
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability which has arisen in the Group or in the Company since the end of the financial year.

OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company, which would render any amount stated in the respective financial statements misleading.

In the opinion of the Directors:-

- (a) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature;
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
- (c) no contingent or other liability has become enforceable, or is likely to become enforceable, within the succeeding period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

AUDITORS

Messrs Moores Rowland have indicated their willingness to continue in office.

On behalf of the Board

DATUK OH SIEW NAM
Executive Chairman

DATO' LIM CHEE WAH
Deputy Chairman

Kuala Lumpur
23 February 2005