The involvement of our Key Senior Management in the other business activities outside our Group as stated above:

(i) does not give rise to any conflict of interest situation (including potential conflict of interest) with our business as none of these businesses engage in business activities that are similar to that of our Group (i.e. upstream oil palm plantation activities, trading and other support services and renewable energy) which are in competition with us; and

(ii) does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses.

5.3.4 Remuneration and material benefits-in-kind of our Key Senior Management

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 are as follows:

	Remuneration band (RM'000)	
Key Senior Management	**FYE 2023**	**Proposed for the FYE 2024**
Aziah Binti Ahmad	950 - 1,000	1,100 - 1,150
Mohamad Yami Bin Abu Bakar	600 - 650	750 - 800
Amran Bin Zakaria	600 - 650	750 - 800
Wan Adlin Bin Wan Mahmood	450 - 500	750 - 800

5.3.5 Service contracts

As at the LPD, there are no existing or proposed service contracts entered into or to be entered into by our Key Senior Management with our Group which provide for benefits upon termination of employment.

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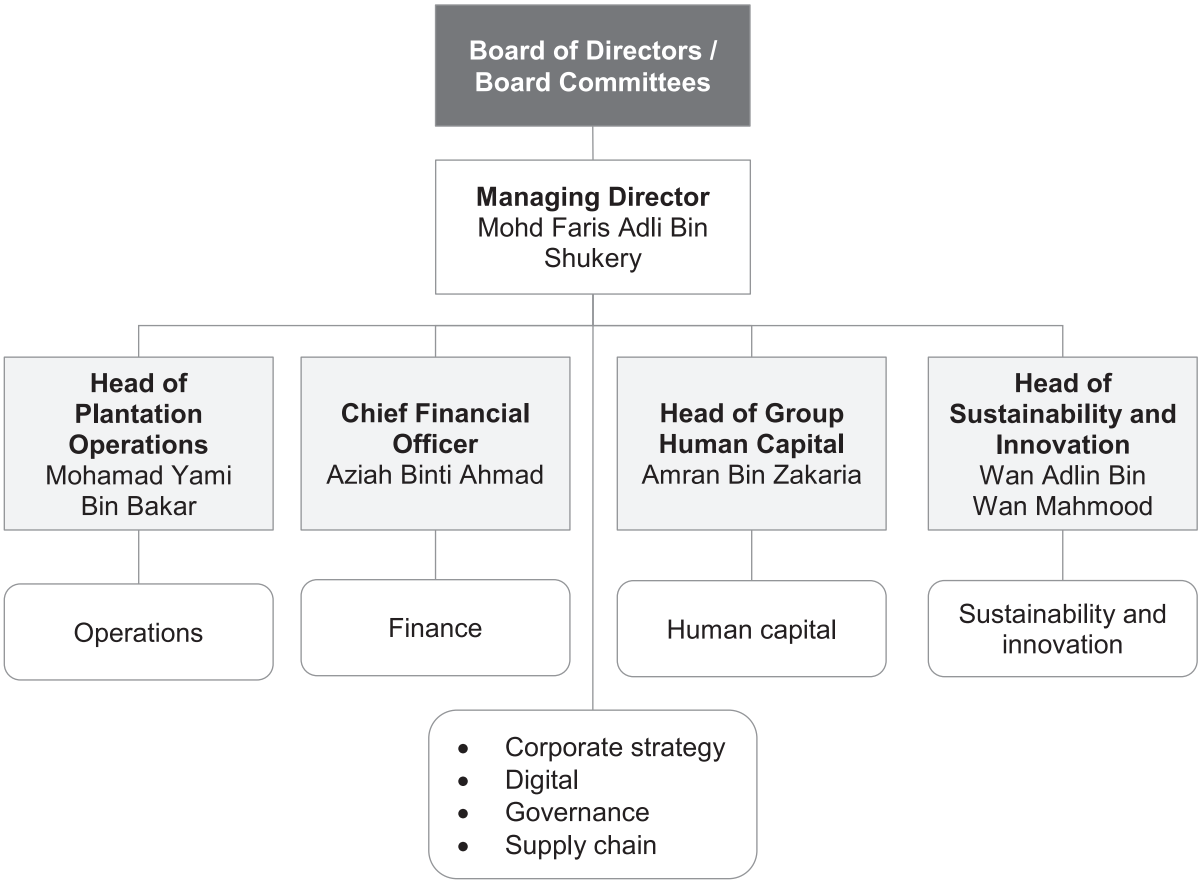
5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4 MANAGEMENT REPORTING STRUCTURE

The management reporting structure of our Group is as follows:



5.5 FAMILY RELATIONSHIPS AND ASSOCIATIONS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there are no other family relationships or associations between any of our Promoters, Substantial Shareholders, Directors and Key Senior Management as at the LPD:

(i) Tan Sri Dato' Sri Dr. Ismail Bin Haji Bakar, who is our Non-Independent Non-Executive Chairman, is also the Deputy Chairman of JCorp;

(ii) Mohd Faris Adli Bin Shukery, who is our Managing Director, is also the Non-Independent Non-Executive Director of Kulim;

(iii) Dato' Sr. Hisham Bin Jafrey, who is our Non-Independent Non-Executive Director, is also the Independent Non-Executive Director of JCorp; and

(iv) Shamsul Anuar Bin Abdul Majid, who is our Non-Independent Non-Executive Director, is also the Chief Investment Officer of JCorp and the Non-Independent Non-Executive Director of Kulim.

5.6 DECLARATIONS BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors or Key Senior Management have been involved in any of the following events, whether in or outside Malaysia:

(i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;

(v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;

(vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(viii) any unsatisfied judgment against such person.

6.1 OUR GROUP

We are an upstream oil palm plantation company operating predominantly in Johor, Malaysia since our incorporation, and in connection with our IPO we have plans to enter into the downstream plantation business. We primarily own, manage and cultivate oil palms and harvest FFB produced on the plantation estates that we own or rent. In addition to our core business in the plantation segment, we are also involved in:

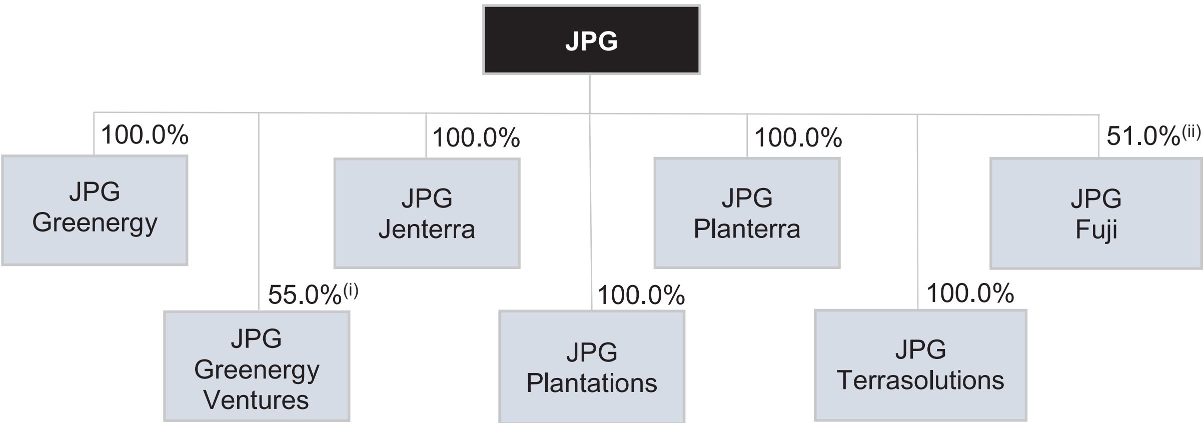
(i) trading of agricultural machineries and parts for plantation use;

(ii) selling of germinated seeds that we develop through plant breeding, ornamental plants, and biofertilisers, and providing related services, such as landscaping;

(iii) providing training and advisory services relating to occupational safety and health; and

(iv) generating and supplying renewable energy, in particular, biomethane gas that is generated from our palm oil waste.

As at the LPD, our group structure is set out below:



Notes:

(i) The remaining 45.0% equity interest in JPG Greenergy Ventures is held by MTC Orec Sdn Bhd, who is the provider of turnkey engineering, procurement, construction, installation and commissioning scopes of the biomethane upgrading plant project at our Sedenak POM. The shareholders of MTC Orec Sdn Bhd are:

(a) MTC Engineering Consultancy Sdn Bhd (being a 50.0% shareholder of MTC Orec Sdn Bhd), which in turn is held by Mohd Fauzi Bin Ya'akob (66.6%), Norshah Hafeez Bin Shuaib (30.0%), Hud Bin Halid (1.4%), Mohd Rashid Bin Ya'acob (1.4%) and Mohd Hisham Bin Che Aun (0.6%); and

(b) O'Rec Energy Sdn Bhd (being a 50.0% shareholder of MTC Orec Sdn Bhd), which in turn is held by Zahari Bin Mohamad (50.0%) and Zulkifli Bin Mohamad (50.0%).

None of the shareholders of MTC Engineering Consultancy Sdn Bhd and O'Rec Energy Sdn Bhd are related to our Group.

(ii) The remaining 49.0% equity interest in JPG Fuji is held by Fuji Oil Asia Pte Ltd, who is our partner for our venture into the downstream plantation business. Fuji Oil Asia Pte Ltd is a wholly-owned subsidiary of Fuji Oil Holdings Inc, which is listed on the Tokyo Stock Exchange. Fuji Oil Holdings Inc and its group of companies are principally involved in developing and manufacturing edible oils and fats, vegetable oils and fats for food processing as well as vegetable fats for chocolate. They are also engaged in the business of industrial chocolate, emulsified and fermented ingredients, and soy-based ingredients. The group markets its products to industrial food manufacturers in the field of confectionery, processed food, and beverage, specialty stores of pastry and bakery, and retailers globally.

Further information on our subsidiaries is set out in Section 6.4 of this Prospectus.

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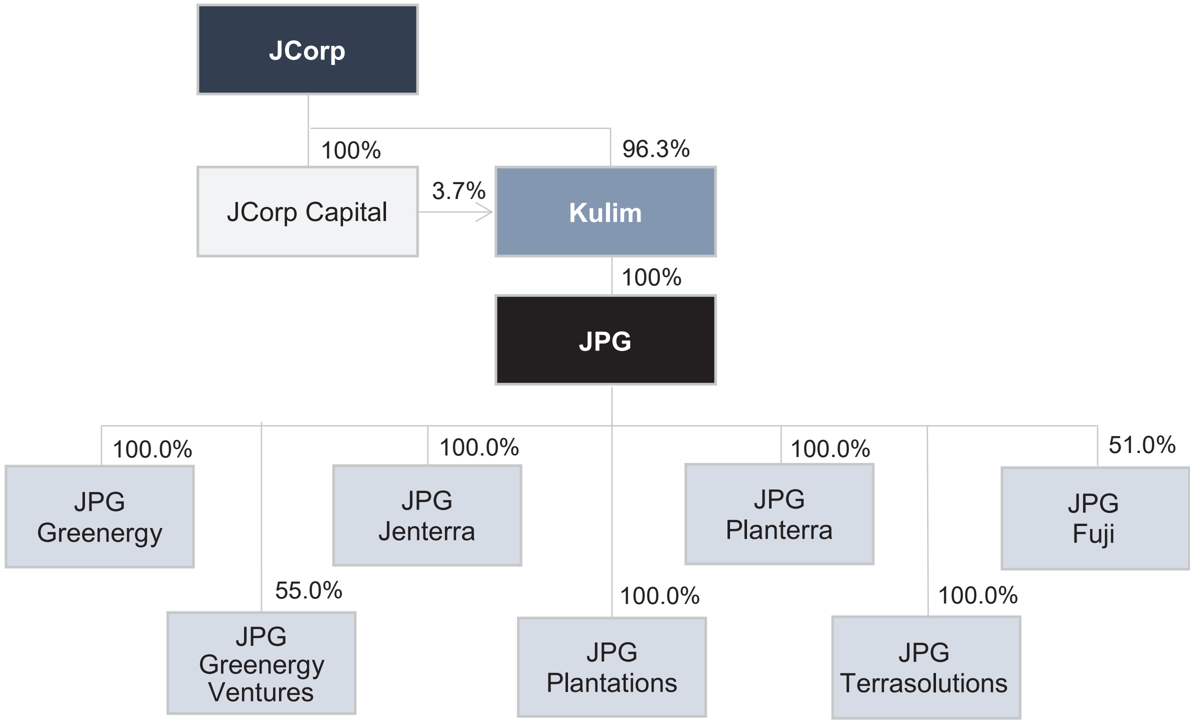
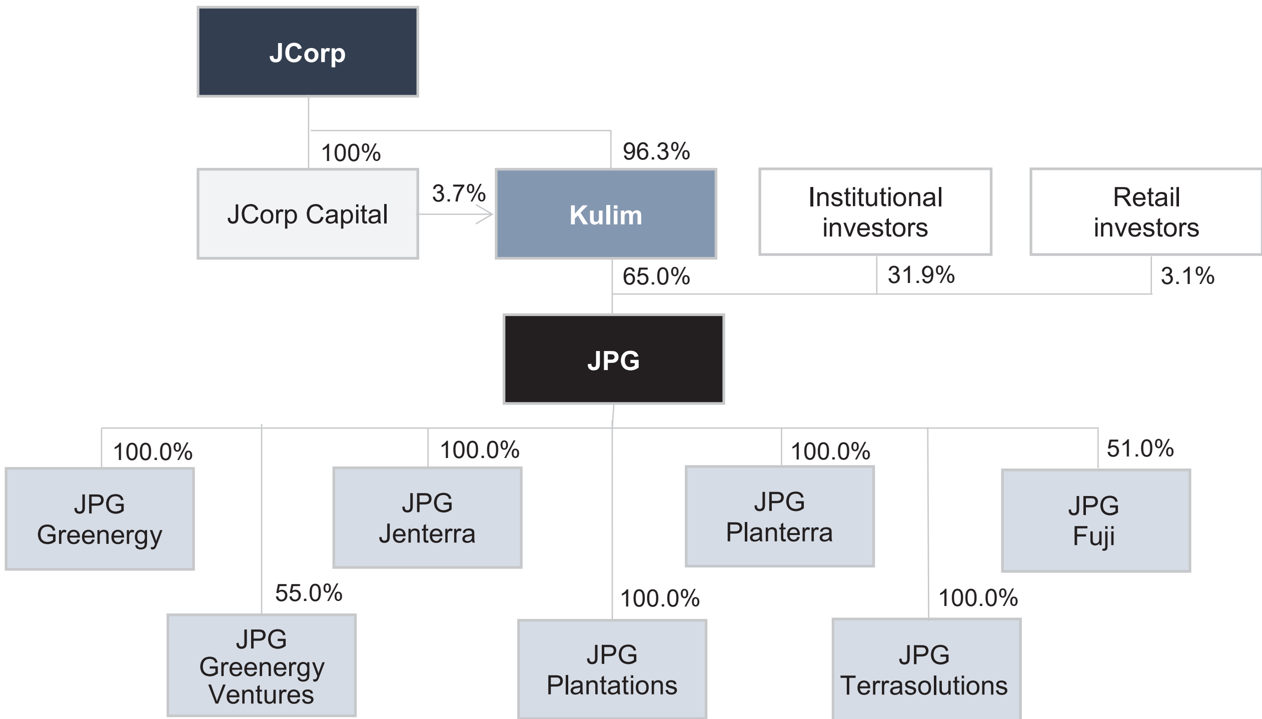
Our shareholding structure before and after our IPO is set out below:

(i) As at the LPD / Before our IPO



(ii) After our IPO



6.1.1 History and background

We were incorporated in Malaysia under the Companies Act 1965 on 21 March 1978 as a private limited company under the name of Yule Catto Plantations Sdn Bhd and is deemed registered under the Act. We changed our name to Mahamurni Plantations Sdn Bhd on 12 May 1993 and subsequently to Johor Plantations Sdn Bhd on 12 February 2023. In order to facilitate our Listing, we converted into a public limited company on 20 February 2023 and changed our name to Johor Plantations Group Berhad on 27 November 2023.

Our Company was originally incorporated by 2 subscriber shareholders holding 1 share each in March 1978. We undertook a first round of share issuance in June 1978, where Malaya General (Holdings) Limited and JCorp became shareholders of our Company holding 65.0% and 35.0% equity interests respectively.

In September 1980, Malaya General (Holdings) Limited transferred all of its 65.0% equity interest in our Company to its related company, Yulcat Limited. In April 1983, both of the subscriber shareholders transferred their remaining 1 share to Yulcat Limited. In January 1991, Yulcat Limited transferred all of its 65.0% equity interest to JCorp, resulting in JCorp holding the entire equity interest in our Company. Subsequently in December 1994, we became a wholly-owned subsidiary of Kulim when JCorp transferred all of its shares in our Company to Kulim. Kulim was previously listed on the Main Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) in November 1975 and was subsequently delisted on 4 August 2016 upon completion of the Privatisation of Kulim.

6.1.2 Privatisation of Kulim

Kulim completed a selective capital reduction and repayment exercise in August 2016 under Section 64 of the Companies Act 1965, pursuant to which the entitled shareholders of Kulim received cash of RM4.10 for each share held in Kulim, translating to a privatisation value of approximately RM5.3 billion based on 1,284,880,980 ordinary shares in issue (excluding treasury shares) at the time of the privatisation. The capital repayment to the entitled shareholders of Kulim was partly funded via bank borrowings obtained by Kulim which were subsequently reimbursed by Kulim and our Company using the funds drawn down from the TF-i Facility. In conjunction with the Pre-Listing Restructuring, the outstanding liability owed by Kulim under the TF-i Facility amounting to RM108.9 million was novated to us as part of our purchase of the assets and liabilities of Kulim's oil palm plantation operations pursuant to the terms of the business transfer agreement dated 27 September 2022 entered into between our Company and Kulim as referred to in Section 14.6(ii) of this Prospectus. The novated liability was netted off against the NBV of the assets of Kulim's oil palm plantation operations in arriving at the purchase consideration paid by us for Kulim's oil palm plantation operations under the Pre-Listing Restructuring.

Subsequently, on 29 December 2022, we mutually agreed with Kulim for the latter to retain a portion of the outstanding liability owed by Kulim under the TF-i Facility amounting to RM11.2 million, resulting in an equivalent sum being owed by us to Kulim. Such amount has subsequently been fully repaid by Kulim to CIMB Islamic Bank Berhad in December 2023. As at the LPD, the outstanding amount owing by us to CIMB Islamic Bank Berhad under the TF-i Facility stood at RM0.4 billion.

The plantation assets held by our Group as at the LPD are the same as the plantations assets held by the Kulim group at the time of the privatisation, save for the disposal by Kulim of its plantation business in Indonesia and the rental of the Malay Reserved Estates by us from JCorp as set out in Sections 6.1.3(iv) and 6.1.3(vi) of this Prospectus respectively. Pursuant to the re-listing of Kulim's plantation assets through our Listing, our total market capitalisation would be RM2.1 billion based on the Retail Price and enlarged number of 2,500,000,000 Shares after our IPO.

6.1.3 Key development since the Privatisation of Kulim

Since the Privatisation of Kulim, Kulim reorganised its business into 2 core segments, namely the plantation segment and agrifood segment, which are spearheaded by its wholly-owned subsidiaries, namely JPG and Farmbyte respectively. Steps taken to rationalise and enhance its plantation business included:

(i) Streamlining Kulim's plantation business under our Group

In 2021, 5 of our plantation estates were merged with our existing plantation estates in Johor to reduce the total number of estates from 28 estates to 23 estates so as to improve operational efficiencies.

In 2022, the Pre-Listing Restructuring was undertaken to consolidate and streamline Kulim's plantation business under our Group. These plantation businesses were then owned and operated by 7 separate entities, namely Kulim, JPG Plantations, Sindora, Selai, UTMC, UMAC and Kumpulan Bertam. Further details of the Pre-Listing Restructuring are set out in Section 6.1.4 of this Prospectus.

(ii) Exploring new potential business growth for the plantation segment

As part of the growth strategy for the plantation segment under our Group, we will continue to expand our CPO production by:

(a) renting oil palm plantation lands owned by state agencies and/or third parties. This eliminates the need for large upfront capital investment, and allows financial resources to be redirected towards optimising existing operations; and

(b) expanding our external supply of certified FFB from smallholders to ensure sustainable and responsible palm oil production, as well as allow us to tap into additional sources of raw materials without the need for extensive land acquisition or ownership. This approach also promotes inclusivity and support to the local communities, in line with our commitment to sustainable practices and responsible sourcing.

We intend to venture into the downstream business specialising in specialty oils and fats and other high-value downstream palm oil products, to enhance our position as a fully integrated oil palm producer and enable us to capture better margins along the entire value chain.

(iii) Increasing productivity and efficiency

The operational efficiency of our plantation business is fundamentally guided by a key performance indicator namely palm product yield, which combines FFB yields of both CPO and PK. We recorded a palm product yield of approximately 5.1 MT per Ha in 2023 and aim to increase it to 7.0 MT per Ha by 2025.

To achieve this, the following key initiatives are being carried out:

(a) Accelerate mechanisation

Mini tractors, scissor lifts or grabbers have been introduced to replace mechanical buffaloes for in-field evacuation in areas suitable for mini tractors. In addition, bin system has been implemented to replace the manual loading of FFB, enabling faster evacuation to the POMs. Smart manure spreaders have also been adopted for precise and efficient manuring.

(b) Adopt high-yielding planting material

In order to enhance our competitiveness in the future, we have been progressively replacing previous planting materials with high-yielding materials, including clonal, since 2008. As at the LPD, these high-yielding planting materials made up approximately 44% of our total planted area, with clonal types constituting 8% of this portion. The objective is to progressively increase the adoption of high-yielding clonal planting with a growth rate of 18% to 35% within the annual replanting area commencing from 2026.

(c) Increase technology adoption through digitalisation

We intend to adopt and support digitalisation efforts in our operations to improve efficiency. This includes the deployment of K-Plant mobile application to replace manual in-field and mill tasks, and upgrading of our enterprise resource planning system for enhanced administration and operations.

(iv) Disposal of Kulim's plantation business in Indonesia

As part of its strategic business realignment to focus on plantation operations in Johor, Kulim has identified its plantation business in Indonesia as a non-core asset within its portfolio to be divested, and to reallocate its resources and investments towards more promising ventures and opportunities. In August 2023, Kulim completed the disposal of its plantation business in Indonesia to a non-related party.

(v) Expansion into renewable energy operations

We ventured into renewable energy operations in 2016 when we started generating biogas using waste from our POMs after our first biogas plant was commissioned at our POM in Pasir Panjang Estate. In 2023, we expanded our renewable energy segment as we upgraded our biogas lagoons pre-treatment plants to produce biomethane and bio-CNG which are supplied to Gas Malaysia Green Ventures under long term supply contracts. Our partnership with Gas Malaysia Green Ventures is also a testament of our 'waste-to-wealth' initiative, which forms part of our ESG agenda.

Our biomethane plant located at Sedenak POM started commercial operation in June 2023 followed by first production and sale of biomethane in August 2023 pursuant to the gas purchase agreement entered into with Gas Malaysia Green Ventures in 2019. However, our operations at our biomethane plant were temporarily suspended in October 2023 after a fire incident as disclosed in Section 7.18.4 of this Prospectus. Restoration works were completed in May 2024 and we have since resumed operations at the said plant. The bio-CNG plants, which are currently being developed at our Tereh and Sindora POMs, are expected to be commissioned by the end of June 2024.

(vi) Entering into tenancy arrangement with JCorp

In 2021, we entered into the Tenancy Agreement with JCorp to rent the Malay Reserved Estates, which consist of the Bukit Payung Estate (merged administratively into Pasir Panjang Estate since 2021), Tunjuk Laut Estate, Bukit Kelompok Estate and Pasir Logok Estate, for plantation of oil palm.

Prior to entering into the Tenancy Agreement, we have entered into management agreements with the JCorp Group for the provision of administrative, management and business development services for several estates owned by the JCorp Group. These management agreements have been mutually terminated by us and the JCorp Group following the execution of the Tenancy Agreement between us and JCorp.

Subsequent to the expiry of the term of the Tenancy Agreement, we had entered into the Renewal Tenancy Agreement with JCorp to renew the term of the Tenancy Agreement for a further period of 3 years, commencing from 1 July 2023 to 30 June 2026 and the Second Supplemental Agreement to include an express right to renew the tenancy of the Malay Reserved Estates so long as the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate continues to be in operation and there is no existing breach or non-observance of any of the covenants and provisions on our part contained in the Tenancy Agreement.

For information purposes, the Malay Reservations Enactment 1936 prohibits any transfer, charge, lease or disposal of the Malay Reserved Estates, or any part thereto, to a non-Malay. In calculating the terms of a lease and tenancy, the National Land Code provides that if the term is for a fixed period, no account shall be taken of the fact that it is capable of renewal in pursuance of an option. In other words, the renewal term and the option to renew contained in the Tenancy Agreement should not be taken into consideration in ascertaining the term of the rental of the Malay Reserved Estates, as the rental of the Malay Reserved Estates is for a fixed principal term of 3 years and any renewal of the term of the tenancy of the Malay Reserved Estates is subject to our exercise of the renewal right and compliance with the terms of the Tenancy Agreement. As such, our legal advisers as to Malaysian law opined that the rental of the Malay Reserved Estates by us from JCorp via the Tenancy Agreement, which is for a duration not exceeding 3 years each, constitutes a tenancy and is akin to a right to use the Malay Reserved Estates and does not contravene or constitute a circumvention of the provisions of the Malay Reservations Enactment 1936. Further, the Johor State Government has also indicated that it has no objection to our consecutive renewal of the tenancy arrangement with JCorp in respect of the Malay Reserved Estates to ensure the success of our collaboration with Fuji Oil Asia Pte Ltd for the integrated sustainable palm oil complex.

In addition, both JCorp and Kulim had, vide a letter of confirmation dated 13 September 2023, acknowledged that Kulim intends to purchase the Malay Reserved Estates from JCorp. Upon completion of the purchase of the Malay Reserved Estates by Kulim, JCorp shall assign and novate all of its rights, interests, liabilities and obligations under the Renewal Tenancy Agreement to Kulim, and Kulim shall accept all of such rights, interests, liabilities and obligations, and agree to renew the Renewal Tenancy Agreement for further consecutive periods to ensure the continuity of our oil palm plantation business carried out on the Malay Reserved Estates, beyond the expiry of the extended tenancy period.

JCorp has also, via the same letter of confirmation dated 13 September 2023, agreed that pending completion of the purchase of the Malay Reserved Estates by Kulim, it would renew the Renewal Tenancy Agreement for further consecutive periods upon expiration of the existing tenancy term on 30 June 2026, upon the terms and conditions to be mutually agreed upon by JCorp and our Company.

For the avoidance of doubt, our entitlement to renew the tenancy of the Malay Reserved Estates under the Tenancy Agreement and the covenants stipulated in the letter of confirmation constitutes a legally binding contract between our Promoters and our Company, and we may enforce such legal rights as may be available to us under the law.

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6.1.4 Pre-Listing Restructuring

To facilitate our Listing, we entered into business transfer agreements and share sale agreements on 27 September 2022, 3 November 2022 and 30 November 2022 to consolidate and streamline Kulim's plantation business under our Group in the following manner:

(i) acquisitions by our Company of the oil palm plantation operations, businesses and mills, including all assets and liabilities, from Kulim and its group of companies as follows:

   (a) Kulim;
   (b) Sindora;
   (c) Selai;
   (d) UMAC;
   (e) UTMC; and
   (f) Kumpulan Bertam; and

(ii) acquisitions by our Company of the entire equity interest held by Kulim and EPA Management in the following companies:

   (a) 100.0% equity interest in JPG Greenergy;
   (b) 55.0% equity interest in JPG Greenergy Ventures;
   (c) 100.0% equity interest in JPG Plantations;
   (d) 100.0% equity interest in JPG Jenterra;
   (e) 100.0% equity interest in JPG Terrasolutions; and
   (f) 100.0% equity interest in JPG Planterra,

whereby the total purchase consideration was satisfied via the issuance of 1,292,930,794 new Shares to Kulim at RM1.00 each and cash consideration of RM102,131,873. For information purposes, the purchase consideration for the acquisition of these assets and liabilities or equity interest were arrived at after taking into consideration their respective NBV based on the latest available unaudited management accounts prior to the completion date of the respective agreements. No revaluation of the plantation assets has been carried out in the past where the revalued amount was included as part of the NBV, or undertaken in conjunction with the Pre-Listing Restructuring.

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For clarity, the latest available unaudited management accounts as at 30 November 2022 was used as the basis of arriving at the purchase consideration (as opposed to the latest available audited financial statements as at 31 December 2021) in order to minimise the difference between the purchase consideration and the NBV or NA of the assets, liabilities or equity interest acquired at the completion date of the Pre-Listing Restructuring Agreements. The table below sets out the breakdown of the purchase consideration of the asset, liabilities or equity interest acquired as well as their respective unaudited NBV as at 30 November 2022 and audited NBV as at 31 December 2021:

	Purchase consideration/ Unaudited NBV or NA as at 30 November 2022 (RM'000)	**Audited NBV or NA as at 31 December 2021 (RM'000)**	**Variance (RM'000)**
Asset and liabilities of Kulim	157,569	212,643	(55,074)
Asset and liabilities of Sindora	433,348	421,952	11,396
Asset and liabilities of Selai	242,336	247,176	(4,840)
Asset and liabilities of UMAC	102,132	102,968	(836)
Asset and liabilities of UTMC	56,025	55,989	36
Asset and liabilities of Kumpulan Bertam	72,541	73,388	(847)
100.0% equity interest in JPG Greenergy	100	135	(35)
55.0% equity interest in JPG Greenergy Ventures	674	893	(219)
100.0% equity interest in JPG Plantations	319,392	327,385	(7,993)
100.0% equity interest in JPG Jenterra	7,386	6,596	790
100.0% equity interest in JPG Terrasolutions	2,683	2,681	2
100.0% equity interest in JPG Planterra	877	470	407
Total	**1,395,063**	**1,452,276**	**(57,213)**

Based on the above, there is no material difference between the total audited value as at 31 December 2021 and the total purchase consideration (which is based on unaudited value as at 30 November 2022). The sale and purchase transactions under the Pre-Listing Restructuring Agreements were completed on 1 December 2022, save for the transfer of lands on which 12 plantations are situated, which was subsequently completed on 30 June 2023. For information purposes, the completion of the transfer of lands on which 12 plantations are situated is subject to approvals from the state authority, the Economic Planning Unit and the Estate Land Board.

As we intend to complete the Pre-Listing Restructuring at the earliest date to facilitate our Listing, the respective vendors under the business transfer agreements have agreed to complete the sale and transfer of the oil palm plantation business contemplated therein upon the payment of the respective purchase consideration, pending the completion of the transfer of lands.

In addition, our Company and JPG Terrasolutions entered into share sale agreements respectively with Kulim on 28 February 2023 for the disposal of the entire equity interest held by us in Pembangunan Mahamurni and its subsidiary, UMAC, and the entire equity interest held by JPG Terrasolutions in Optimum Status for an aggregate nominal cash consideration of RM2 due to their net liabilities position after the Pre-Listing Restructuring. The disposals were completed on 28 February 2023 in accordance with the terms of the respective share sale agreements.

It is a term under the business transfer agreement dated 27 September 2022 entered into between our Company and Kulim (referred to in Section 14.6(ii) of this Prospectus) that Kulim shall novate to us the 3 outstanding liabilities owed by Kulim amounting to a total of approximately RM1.1 billion under the STF-i Facility, TF-i Facility and RC-i Facility (collectively, the "**Kulim's Outstanding Liabilities**"). The Kulim's Outstanding Liabilities were netted off against the NBV of the assets of Kulim's oil palm plantation operations in arriving at the purchase consideration paid by us for Kulim's oil palm plantation operations under the Pre-Listing Restructuring.

Upon completion of the Pre-Listing Restructuring on 1 December 2022, we have assumed the Kulim's Outstanding Liabilities and there is no amount owing by Kulim under the STF-i Facility, TF-i Facility and RC-i Facility. Subsequently, on 29 December 2022, we mutually agreed with Kulim for the latter to retain a portion of the Kulim's Outstanding Liabilities under the TF-i Facility and RC-i Facility amounting to RM11.2 million and RM90.0 million respectively, resulting in an equivalent total sum of RM101.2 million being owed by us to Kulim. Please refer to Section 4.5.2 of this Prospectus for further details of the TF-i Facility which is intended to be repaid using the gross proceeds from the Public Issue.

6.1.5 Capitalisation

We completed the Capitalisation on 6 December 2023, which entails the capitalisation of the indebtedness payable by us to Kulim amounting to RM172,636,978 via the issuance of 172,636,978 new Shares to Kulim. For information purposes, the total indebtedness of approximately RM172.6 million comprises a portion of the Kulim's Outstanding Liabilities (under the TF-i Facility and RC-i Facility) amounting to RM101.2 million owed by us to Kulim as well as advances amounting to approximately RM71.4 million extended by Kulim to us which were mainly used for our working capital purposes.

6.1.6 Share Split

In conjunction with our Listing, we had on 24 April 2024, completed the Share Split which entails the subdivision of our existing Shares into 2,036,000,000 Shares to enhance the liquidity of our Shares at the time of our Listing.

6.2 KEY EVENTS AND MILESTONES

The table below sets out the key events and milestones in the history and development of our business, plantation estates and POMs:

Year	Event
1975	JPG Plantations was incorporated as a wholly-owned subsidiary of Kulim* and commenced its plantation operations with the ownership of 2 plantation estates, namely Tereh Utara Estate and Tereh Selatan Estate * Kulim owned 6 other plantation estates, namely Basir Ismail Estate, Bukit Layang Estate, Labis Bahru Estate, Mutiara Estate, REM Estate and Selai Estate
1978	We were incorporated and commenced our plantation operations under the name Yule Catto Plantations Sdn Bhd with the ownership of 3 plantation estates, namely Sedenak Estate, Rengam Estate and UMAC Estate. JCorp^ owned 35.0% equity interest in our Company, while the remaining 65.0% was owned by Malaya General (Holdings) Limited ^ JCorp owned 11 other plantation estates, namely the Malay Reserved Estates, Kuala Kabong Estate, Sepang Loi Estate, Sindora Estate, Sungai Papan Estate, Siang Estate, Pasir Panjang Estate, Mungka Estate and Palong Estate
1979	JPG Plantations began commercial operations of our Tereh POM with a processing capacity of 30 MT per hour
1981	We began commercial operations of our Sedenak POM with a processing capacity of 30 MT per hour
1991	• JCorp acquired the remaining 65.0% equity interest in our Company • We upgraded the capacity of Tereh POM from 30 MT per hour to 60 MT per hour

Year	Event
1993	We changed our name to Mahamurni Plantations Sdn Bhd
1994	JCorp transferred its entire equity interest in our Company to Kulim
1998	Our Sindora POM (then owned by Sindora before the Pre-Listing Restructuring) began commercial operations with a capacity of 45 MT per hour
2004	Kulim acquired Sepang Loi Estate (then held under Kumpulan Bertam before the Pre-Listing Restructuring) from JCorp
2005	We upgraded the capacity of Sedenak POM from 30 MT per hour to 90 MT per hour
2008	Kulim acquired Sindora Estate and Sindora POM (then held under Sindora before the Pre-Listing Restructuring) from JCorp
2009	• Through Kulim, we became a RSPO-certified producer when 10 of our plantation estates were certified by RSPO, namely Tereh Utara Estate, Tereh Selatan Estate, Sedenak Estate, Rengam Estate, Basir Ismail Estate, Mutiara Estate, REM Estate, Selai Estate, Sindora Estate and Kuala Kabong Estate. RSPO membership is held by JCorp, and Kulim and our Company are recognised group members of JCorp by RSPO. • Sindora (a subsidiary of Kulim) acquired Sungai Tawing Estate from Sime Darby Plantation Sdn Bhd
2011	We completed the acquisition of Sungai Papan Estate, Siang Estate, Pasir Panjang Estate, Mungka Estate and Palong Estate, together with the Pasir Panjang POM and Palong POM with processing capacity of 45 MT and 40 MT per hour respectively, from the JCorp Group
2016	Completion of the Privatisation of Kulim
2019	• We upgraded the capacity of Pasir Panjang POM from 45 MT per hour to 60 MT per hour • We signed a gas purchase agreement with Gas Malaysia Green Ventures for the supply of biomethane over a contract period of 15 years
2021	• We entered into the Tenancy Agreement with JCorp to rent the Malay Reserved Estates, which consist of the Bukit Payung Estate (merged administratively into Pasir Panjang Estate since 2021), Tunjuk Laut Estate, Bukit Kelompok Estate and Pasir Logok Estate for a period of 3 years, commencing from 1 July 2020 to 30 June 2023 • We entered into a gas purchase agreement with Gas Malaysia Green Ventures for the supply of bio-CNG to be injected into the natural gas distribution system within Peninsular Malaysia

Year	Event
2022	• We completed the Pre-Listing Restructuring on 1 December 2022 which mainly involved the acquisition of oil palm plantation business carried out on 9 plantation estates, namely Basir Ismail Estate, Bukit Layang Estate, Labis Bahru Estate, Mutiara Estate, REM Estate, Selai Estate, Sepang Loi Estate, Sindora Estate (together with Sindora POM) and Sungai Tawing Estate from Kulim and its group of companies, save for the transfer of lands on which 12 plantations are situated, which was subsequently completed on 30 June 2023
	• We acquired 55.0% equity interest in JPG Greenergy Ventures and the entire equity interest in JPG Plantations, JPG Jenterra, JPG Planterra, JPG Terrasolutions and JPG Greenergy as part of the Pre-Listing Restructuring
	• The tenancy agreement in respect of the Kuala Kabong Estate entered into between Kulim (as tenant) and JCorp (as landlord) was novated to us
2023	• We commissioned our first biomethane generation facility at Sedenak POM
	• We entered into the Renewal Tenancy Agreement with JCorp for the renewal of the term of the Tenancy Agreement for an additional period of 3 years, effective from 1 July 2023 to 30 June 2026
	• We converted into a public limited company and changed our name to Johor Plantations Berhad in February 2023, and subsequently to Johor Plantations Group Berhad in November 2023 to facilitate our Listing
2024	• We entered into the Shareholders' Agreement with Fuji Oil Asia Pte Ltd to jointly undertake our downstream plantation business
	• We entered into the Second Supplemental Agreement with JCorp to further amend the terms of the Tenancy Agreement, which provides us with an express right to extend the term of the tenancy of the Malay Reserved Estates for subsequent term following its expiry on 30 June 2026, subject to the terms of the Second Supplemental Agreement

6.3 OUR SHARE CAPITAL

As at the LPD, our issued share capital is approximately RM1.5 billion comprising 2,036,000,000 Shares. Save as disclosed below, there has been no change in our issued share capital for the Financial Years Under Review up to the LPD:

Date of allotment	No. of Shares	Consideration	Cumulative issued share capital (RM)
1 December 2022	1,292,930,794	Otherwise than cash	1,329,362,794
6 December 2023	172,636,978	Otherwise than cash	1,501,999,772
24 April 2024	-	Share Split	1,501,999,772

None of our Shares and the shares in our subsidiaries were issued and allotted at a discount or have any special terms. Our issued Shares and the issued shares in our subsidiaries are fully paid-up. There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares as at the LPD.

6.4 INFORMATION ON OUR SUBSIDIARIES

6.4.1 JPG Plantations

(i) Background and principal activities

JPG Plantations was incorporated in Malaysia under the Companies Act 1965 on 22 July 1975 as a private limited company under the name of Kulim Holdings (Malaysia) Sdn Bhd and is deemed registered under the Act. It changed its name to Kulim Plantations (Malaysia) Sdn Bhd on 9 March 1988 and assumed its present name on 21 June 2023.

JPG Plantations is principally involved in the production of palm oil and palm kernels. The principal place of business of JPG Plantations is at K.B. 705, Ulu Tiram Estate, 80990 Johor Bahru, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Plantations is RM22,472,352 comprising 22,000,000 ordinary shares. There has been no change in the issued share capital of JPG Plantations for the Financial Years Under Review up to the LPD.

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Plantations as at the LPD.

(iii) Substantial shareholder

As at the LPD, JPG Plantations is our wholly-owned subsidiary.

(iv) Directors

As at the LPD, the directors of JPG Plantations are Mohd Faris Adli Bin Shukery and Aziah Binti Ahmad.

(v) Subsidiary, associate and joint venture

JPG Plantations does not have any subsidiary, associate or joint venture.

6.4.2 JPG Greenergy

(i) Background and principal activities

JPG Greenergy was incorporated in Malaysia under the Companies Act 1965 on 18 January 2005 as a private limited company under the name of Natural Alcohols Sdn Bhd and is deemed registered under the Act. It changed its name to The Secret of Secret Garden Sdn Bhd on 26 November 2009, SG Lifestyles Sdn Bhd on 10 August 2015 and subsequently to Kulim Greenergy Sdn Bhd on 17 November 2021 before assuming its present name on 14 June 2023.

JPG Greenergy is principally involved in the production of biomethane. The principal place of business of JPG Greenergy is at K.B. 705, Ulu Tiram Estate, 80990 Johor Bahru, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Greenergy is RM15,079,656 comprising 15,079,656 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of JPG Greenergy for the Financial Years Under Review up to the LPD:

Date of allotment	No. of shares	Consideration	Cumulative issued share capital (RM)
20 October 2021	1,479,656	Otherwise than cash	12,479,656
30 August 2023	2,600,000	Cash	15,079,656

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Greenergy as at the LPD.

(iii) Substantial shareholder

As at the LPD, JPG Greenergy is our wholly-owned subsidiary.

(iv) Directors

As at the LPD, the directors of JPG Greenergy are Mohd Faris Adli Bin Shukery and Wan Adlin Bin Wan Mahmood.

(v) Subsidiary, associate and joint venture

JPG Greenergy does not have any subsidiary, associate or joint venture.

6.4.3 JPG Greenergy Ventures

(i) Background and principal activities

JPG Greenergy Ventures was incorporated in Malaysia under the Companies Act 1965 on 10 January 2013 as a private limited company under the name of Oracle Junction Sdn Bhd and is deemed registered under the Act. It changed its name to Granulab Marketing Sdn Bhd on 2 May 2013, Sindora Marketing Sdn Bhd on 13 December 2016 and subsequently to Kulim Green Energy Ventures Sdn Bhd on 16 July 2019 before assuming its present name on 14 June 2023.

JPG Greenergy Ventures is principally involved in the production of biomethane. The principal place of business of JPG Greenergy Ventures is at K.B. 705, Ulu Tiram Estate, 80990 Johor Bahru, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Greenergy Ventures is RM4,930,668 comprising 4,930,668 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of JPG Greenergy Ventures for the Financial Years Under Review up to the LPD:

Date of allotment	No. of shares	Consideration	Cumulative issued share capital (RM)
20 January 2020	999,998	Cash	1,000,000
22 April 2021	1,500,000	Cash	2,500,000
31 December 2023	2,430,668	Cash	4,930,668

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Greenergy Ventures as at the LPD.

(iii) Substantial shareholders

The details of the substantial shareholders of JPG Greenergy Ventures and their respective shareholdings in JPG Greenergy Ventures as at the LPD are as follows:

	Direct		Indirect	
	No. of shares	**%**	**No. of shares**	**%**
JPG	2,711,868	55.0	-	-
MTC Orec Sdn Bhd	2,218,800	45.0	-	-
Kulim	-	-	(1)2,711,868	55.0
JCorp	-	-	(2)2,711,868	55.0
MTC Engineering Consultancy Sdn Bhd	-	-	(3)2,218,800	45.0
O'Rec Energy Sdn Bhd	-	-	(3)2,218,800	45.0
Mohd Fauzi Bin Ya'akob	-	-	(4)2,218,800	45.0
Norshah Hafeez Bin Shuaib	-	-	(4)2,218,800	45.0
Zahari Bin Mohamad	-	-	(5)2,218,800	45.0
Zulkifli Bin Mohamad	-	-	(5)2,218,800	45.0

Notes:

(1) Deemed interested pursuant to Section 8(4) of the Act by virtue of us being a wholly-owned subsidiary of Kulim.

(2) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in Kulim.

(3) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in MTC Orec Sdn Bhd.

(4) Deemed interested pursuant to Section 8(4) of the Act by virtue of his shareholding in MTC Engineering Consultancy Sdn Bhd.

(5) Deemed interested pursuant to Section 8(4) of the Act by virtue of his shareholding in O'Rec Energy Sdn Bhd.

(iv) Directors

As at the LPD, the directors of JPG Greenergy Ventures are Mohd Faris Adli Bin Shukery, Mohamad Yami Bin Bakar, Wan Adlin Bin Wan Mahmood, Norshah Hafeez Bin Shuaib and Zahari Bin Mohamad. For information purpose, Norshah Hafeez Bin Shuaib and Zahari Bin Mohamad are directors of MTC Engineering Consultancy Sdn Bhd and O'Rec Energy Sdn Bhd respectively and they are not related to our Group.

(v) Subsidiary, associate and joint venture

JPG Greenergy Ventures does not have any subsidiary, associate or joint venture.

6.4.4 JPG Jenterra

(i) Background and principal activities

JPG Jenterra was incorporated in Malaysia under the Companies Act 1965 on 20 July 1992 as a private limited company under the name of Hazel Enterprise Sdn Bhd and is deemed registered under the Act. It changed its name to Edaran Badang Sdn Bhd on 15 February 1994 and assumed its present name on 14 June 2023.

JPG Jenterra is principally involved as a dealer in agricultural machinery and parts. The principal place of business of JPG Jenterra is at Lot 2135, Batu 23 1/2, Jalan Kota Tinggi, 81900 Kota Tinggi, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Jenterra is RM4,000,000 comprising 4,000,000 ordinary shares. There has been no change in the issued share capital of JPG Jenterra for the Financial Years Under Review up to the LPD.

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Jenterra as at the LPD.

(iii) Substantial shareholder

As at the LPD, JPG Jenterra is our wholly-owned subsidiary.

(iv) Directors

As at the LPD, the directors of JPG Jenterra are Mohd Raziz Bin Rahmat (Head of JPG Jenterra) and Azhar Bin Ahmad (our Deputy General Manager, Chief Operating Officer Office).

(v) Subsidiary, associate and joint venture

JPG Jenterra does not have any subsidiary, associate or joint venture.

6.4.5 JPG Planterra

(i) Background and principal activities

JPG Planterra was incorporated in Malaysia under the Companies Act 1965 on 19 January 2009 as a private limited company under the name of Kulim Nursery Sdn Bhd and is deemed registered under the Act. It changed its name to Cultination Sdn Bhd on 7 September 2022 and assumed its present name on 14 June 2023.

JPG Planterra is principally involved in the sales of palm nursery and other plantation products and services. The principal place of business of JPG Planterra is at 1st Floor, Wisma KNSB, No. 416, Jalan Kenanga 29/10, Indahpura Kulaijaya, 81000 Johor Bahru, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Planterra is RM9,000,000 comprising 9,000,000 ordinary shares. There has been no change in the issued share capital of JPG Planterra for the Financial Years Under Review up to the LPD.

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Planterra as at the LPD.

(iii) Substantial shareholder

As at the LPD, JPG Planterra is our wholly-owned subsidiary.

(iv) Directors

As at the LPD, the directors of JPG Planterra are Noryazid Bin Yaakub (Head of JPG Planterra), Mohamad Yami Bin Bakar and Wan Adlin Bin Wan Mahmood.

(v) Subsidiary, associate and joint venture

JPG Planterra does not have any subsidiary, associate or joint venture.

6.4.6 JPG Terrasolutions

(i) Background and principal activities

JPG Terrasolutions was incorporated in Malaysia under the Companies Act 1965 on 1 April 2010 as a private limited company under the name of Palma Bumimas Sdn Bhd and is deemed registered under the Act. It changed its name to Kulim Safety Training and Services Sdn Bhd on 16 August 2012 and assumed its present name on 15 June 2023.

JPG Terrasolutions is principally involved in the provision of training and safey-related services, and supply of safety products. The principal place of business of JPG Terrasolutions is at Lot 2135, Batu 23 1/2, Jalan Kota Tinggi, 81900 Kota Tinggi, Johor, Malaysia.

(ii) Share capital

As at the LPD, the issued share capital of JPG Terrasolutions is RM100,000 comprising 100,000 ordinary shares. There has been no change in the issued share capital of JPG Terrasolutions for the Financial Years Under Review up to the LPD.

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Terrasolutions as at the LPD.

(iii) Substantial shareholder

As at the LPD, JPG Terrasolutions is our wholly-owned subsidiary.

(iv) Directors

As at the LPD, the directors of JPG Terrasolutions are Noor Effendy Bin Mohd Ali (General Manager, Commodities Trading of JPG) and Murad Bin Siabu (Head of JPG Terrasolutions).

(v) Subsidiary, associate and joint venture

JPG Terrasolutions does not have any subsidiary, associate or joint venture.

6.4.7 JPG Fuji

(i) Background and principal activities

JPG Fuji was incorporated in Malaysia under the Act on 30 January 2024 as a private limited company under the name of JPG Refinery Sdn Bhd. It changed its name to JPG Fuji Sdn Bhd on 1 April 2024. JPG Fuji is principally involved in refining of oil palm and trading of palm oil products. As at the LPD, JPG Fuji does not have a principal place of business as it has yet to commence its commercial operations. JPG Fuji is in the midst of constructing a downstream refinery as part of our integrated sustainable palm oil complex (as set out in Section 7.3.4 of this Prospectus), which is expected to become operational by the 3rd quarter of 2026.

(ii) Share capital

As at the LPD, the issued share capital of JPG Fuji is RM100 comprising 100 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of JPG Fuji since its incorporation up to the LPD:

Date of allotment	No. of shares	Consideration	Cumulative issued share capital (RM)
30 January 2024	2	Cash	2
27 March 2024	98	Cash	100

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in JPG Fuji as at the LPD.

(iii) Substantial shareholders

The details of the substantial shareholders of JPG Fuji and their respective shareholdings in JPG Fuji as at the LPD are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
JPG	51	51.0	-	-
Fuji Oil Asia Pte Ltd	49	49.0	-	-
Kulim	-	-	(4)51	51.0
JCorp	-	-	(5)51	51.0
Fuji Oil Holdings Inc.(1)	-	-	(6)49	49.0
ITOCHU Food Investment, LLC(2)	-	-	(7)49	49.0
ITOCHU Corporation(3)	-	-	(8)49	49.0

Notes:

(1) Fuji Oil Holdings Inc., which is listed on the Tokyo Stock Exchange, is a 42.6%-owned associated company of ITOCHU Food Investment, LLC. (Source: Integrated Report 2023 of Fuji Oil Holdings Inc.)

(2) ITOCHU Food Investment, LLC is a wholly-owned subsidiary of ITOCHU Corporation. The former is principally involved in research, consulting, investment and providing loans in provisions-related business. (Source: Annual Report 2023 of ITOCHU Corporation)

(3) ITOCHU Corporation is listed on the Tokyo Stock Exchange. It is principally involved in the businesses of textile, machinery, metals and minerals, energy and chemicals, food, general products and realty as well as information and communications technology and financial business. (Source: Annual Report 2023 of ITOCHU Corporation)

(4) Deemed interested pursuant to Section 8(4) of the Act by virtue of us being a wholly-owned subsidiary of Kulim.

(5) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in Kulim.

(6) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in Fuji Oil Asia Pte Ltd.

(7) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in Fuji Oil Holdings Inc.

(8) Deemed interested pursuant to Section 8(4) of the Act by virtue of its shareholding in ITOCHU Food Investment, LLC.

(iv) Directors

As at the LPD, the directors of JPG Fuji are Mohd Faris Adli Bin Shukery, Aziah Binti Ahmad, Mohamad Yami Bin Bakar and Wan Adlin Bin Wan Mahmood, Teo Yong Wah, Katsuhiro Nagayama and Shinji Tejima.

(v) Subsidiary, associate and joint venture

JPG Fuji does not have any subsidiary, associate or joint venture.

6.5 ACCREDITATION AND AWARDS

During the Financial Years Under Review and up to the LPD, we have the following ISO accreditations awarded by the Department of Standards Malaysia:

Year	Event
2023	ISO/IEC 17025:2017 (General requirements for the competence of testing and calibration laboratories)[1]

Note:

(1) The certificate was initially issued under the name of Kulim in 2017 and subsequently re-certified under our name in 2023.

In addition, we have also obtained the following awards during the Financial Years Under Review and up to the LPD:

Year	Description
2020	Institut Kimia Malaysia Laboratory Excellence Award 2020 from the Malaysian Institute of Chemistry
2021	Institut Kimia Malaysia Laboratory Excellence Award 2021 from the Malaysian Institute of Chemistry
2022	Institut Kimia Malaysia Laboratory Excellence Award 2022 from the Malaysian Institute of Chemistry
2023	• Institut Kimia Malaysia Laboratory Excellence Award 2023 from the Malaysian Institute of Chemistry • Best Employer Appreciation Award 2023 for Johor by Employees Provident Fund

6.6 MATERIAL INVESTMENTS AND DIVESTITURES

Save for the Pre-Listing Restructuring (the details which are set out in Section 6.1.4 of this Prospectus) and as disclosed below, we do not have any other material investments during the Financial Years Under Review and up to the LPD:

	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	1 January 2024 up to the LPD (RM'000)
Replanting costs incurred on our estates to replace old oil palms with new seedlings	35,338	27,553	28,597	45,981	8,960
Upgrading of Sindora POM from 45 MT per hour to 60 MT per hour(1)	-	2,335	10,558	25,099	3,230
Construction of biomethane plant at our Sedenak POM(2) and bio-CNG plants at our Tereh and Sindora POMs(3) for our renewable energy operations	583	13,196	18,987	9,845	1,480
	35,921	**43,084**	**58,142**	**80,925**	**13,670**

Notes:

(1) The upgrading of the FFB processing capacity for our Sindora POM was completed in January 2024. For information purposes, the amount incurred between 1 January 2024 and the LPD was in relation to the final payment for work completed by the contractor.

(2) The construction of the biomethane plant at our Sedenak POM was completed in June 2023.

(3) The construction of the bio-CNG plants at our Tereh POM and Sindora POM is expected to be completed by the end of June 2024.

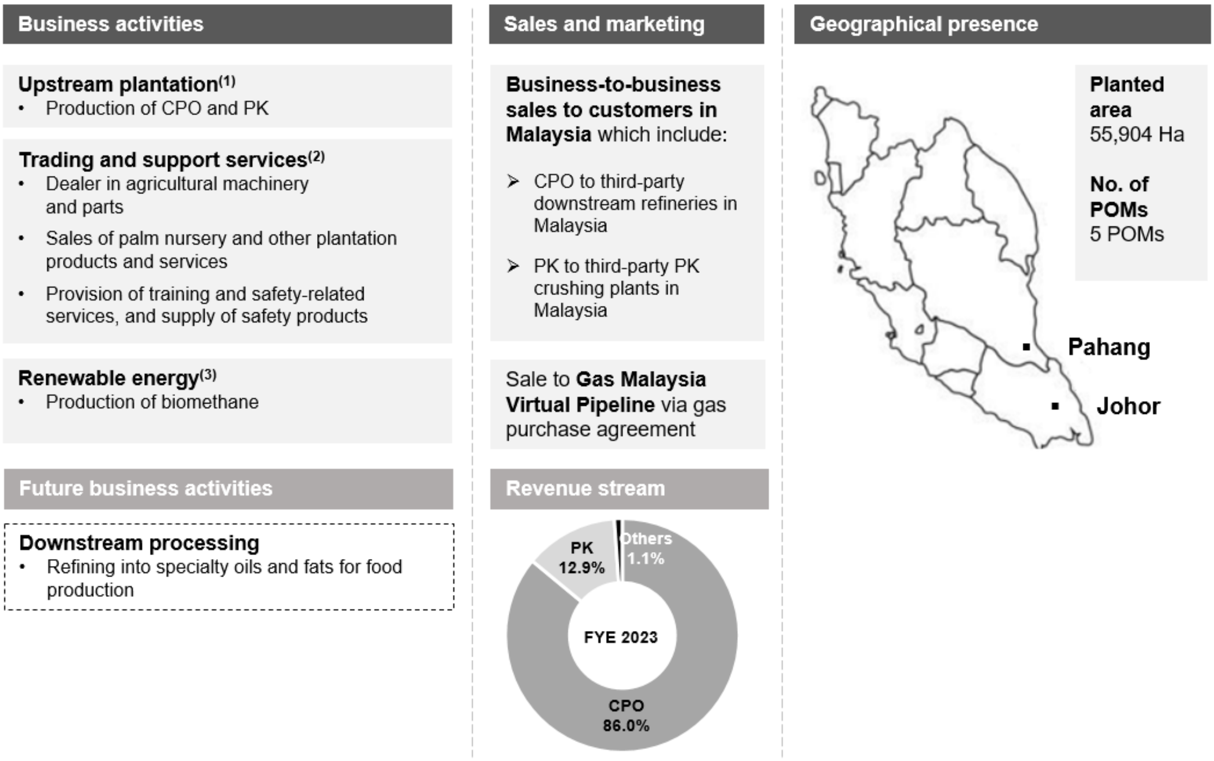
The above material investments were funded via our borrowings and internally generated funds. We do not have any material divestitures during the Financial Years Under Review and up to the LPD.

7. BUSINESS OVERVIEW

7.1 OUR BUSINESS

We are an upstream oil palm plantation company operating predominantly in Johor, Malaysia, and in connection with our IPO, we have plans to enter into the downstream plantation business. We primarily own, manage, and cultivate oil palms and harvest FFB produced on the plantation estates that we own or rent.

The diagram below sets out our business model, including our current upstream oil palm operations and our planned downstream operations:



Notes:

(1) Our plantation segment accounted for 98.8%, 98.9%, 98.7% and 98.9% of our Group's revenue for the Financial Years Under Review.

(2) Our trading and other support services segment accounted for 1.2%, 1.1%, 1.3% and 1.0% of our Group's revenue for the Financial Years Under Review.

(3) Our renewable energy segment accounted for 0.1% of our Group's revenue for the FYE 2023. We began generating revenue from our new renewable energy business segment during the FYE 2023, whereby we sold the biomethane produced at our biomethane plant at Sedenak POM to Gas Malaysia Green Ventures since August 2023. However, operations at our biomethane plant were temporarily suspended in October 2023 after a fire incident, as disclosed in Section 7.18.4 of this Prospectus. Restoration works were completed in May 2024 and we have since resumed operations at the said plant.

As at the LPD, we operate 23 plantation estates, consisting of 22 plantation estates in Johor and 1 plantation estate in Pahang, with a total landbank of 59,781 Ha and a total oil palm planted area of 55,904 Ha, representing approximately 93.5% of the total land area. The remaining landbank of 3,877 Ha are unplantable areas used for buildings, roads and area identified as high conservation value area.

The table below sets out our total number of plantation estates, the total land area and total planted area of our owned and rented estates and, number of POMs, as at the LPD. The table does not include information regarding the 3 third-party estates that we manage but do not own or rent.

	Johor	Pahang	Total
Number of plantation estates			
- Owned(1)	18	1	19
- Rented	4	-	4
	22	1	23
Total land area (Ha)			
- Owned	47,028	1,625	48,653
- Rented (Malay reserve land status)(2)	9,213	-	9,213
- Rented (non-Malay reserve land status)(3)	1,915	-	1,915
	58,156	1,625	59,781
Total oil palm planted area (Ha)			
- Immature (less than 3 years)	3,787	29	3,816
- Mature young (4 to 8 years)(4)	8,011	-	8,011
- Prime young (9 to 18 years)(4)	29,621	751	30,372
- Prime old (19 to 22 years)	7,919	776	8,695
- Old (23 years and above)	5,010	-	5,010
	54,348	1,556	55,904
Percentage of total land area	90.9%	2.6%	93.5%
Number of POMs	5	-	5

Notes:

(1) Includes 2 estates which we partially own and partially rent from JCorp, Kulim and Johor Land (refer to notes (2)(b), (3)(b) and (3)(c) below), namely Pasir Panjang Estate and REM Estate.

(2) We rent the Malay Reserved Estates from JCorp which include:

(a) the Tunjuk Laut Estate, Pasir Logok Estate, Bukit Kelompok Estate; and

(b) 2,307 Ha of the Pasir Panjang Estate (approximately 58.9% of the total land area of the Pasir Panjang Estate, the area which was previously known as the Bukit Payung Estate). The Bukit Payung Estate was merged administratively into our Pasir Panjang Estate in 2021.

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For information purposes, the Malay Reservations Enactment 1936 prohibits any transfer, charge, lease or disposal of the Malay Reserved Estates, or any part thereto, to a non-Malay. In calculating the terms of a lease and tenancy, the National Land Code provides that if the term is for a fixed period, no account shall be taken of the fact that it is capable of renewal in pursuance of an option. In other words, the renewal term and the option to renew contained in the Tenancy Agreement should not be taken into consideration in ascertaining the term of the rental of the Malay Reserved Estates, as the rental of the Malay Reserved Estates is for a fixed principal term of 3 years and any renewal of the term of the tenancy of the Malay Reserved Estates is subject to our exercise of the renewal right and compliance with the terms of the Tenancy Agreement. As such, our legal advisers as to Malaysian law opined that the rental of the Malay Reserved Estates by us from JCorp via the Tenancy Agreement and the Renewal Tenancy Agreement, which is for a duration not exceeding 3 years each, constitutes a tenancy and is akin to a right to use the Malay Reserved Estates and does not contravene or constitute a circumvention of the provisions of the Malay Reservations Enactment 1936. Further, the Johor State Government has also indicated that it has no objection to our consecutive renewal of the tenancy arrangement with JCorp in respect of the Malay Reserved Estates to ensure the success of our collaboration with Fuji Oil Asia Pte Ltd for the integrated sustainable palm oil complex. We do not have any intention to acquire the Malay Reserved Estates from JCorp or Kulim at this juncture.

(3) We rent the following estates which have been designated by the JCorp Group for future property development:

(a) 1,511 Ha of the Kuala Kabong Estate from JCorp for an approximately 2-year tenancy period from 1 December 2022 to 31 December 2024;

(b) 175 Ha of the REM Estate (approximately 6.7% of the total land area of the REM Estate) from Kulim for a 3-year tenancy period from 1 December 2022 to 30 November 2025. However, Kulim has informed us that it is in the process of disposing of a portion of the REM Estate measuring 29 Ha, and we will then cease our tenancy in respect of such area once the disposal is completed. The disposal is not expected to have any material impact to our business operations and financial performance as the land area represented less than 0.1% of our total landbank; and

(c) 229 Ha of the REM Estate (approximately 8.8% of the total land area of the REM Estate) from Johor Land for an approximately 2-year tenancy period from 1 December 2022 to 31 December 2024.

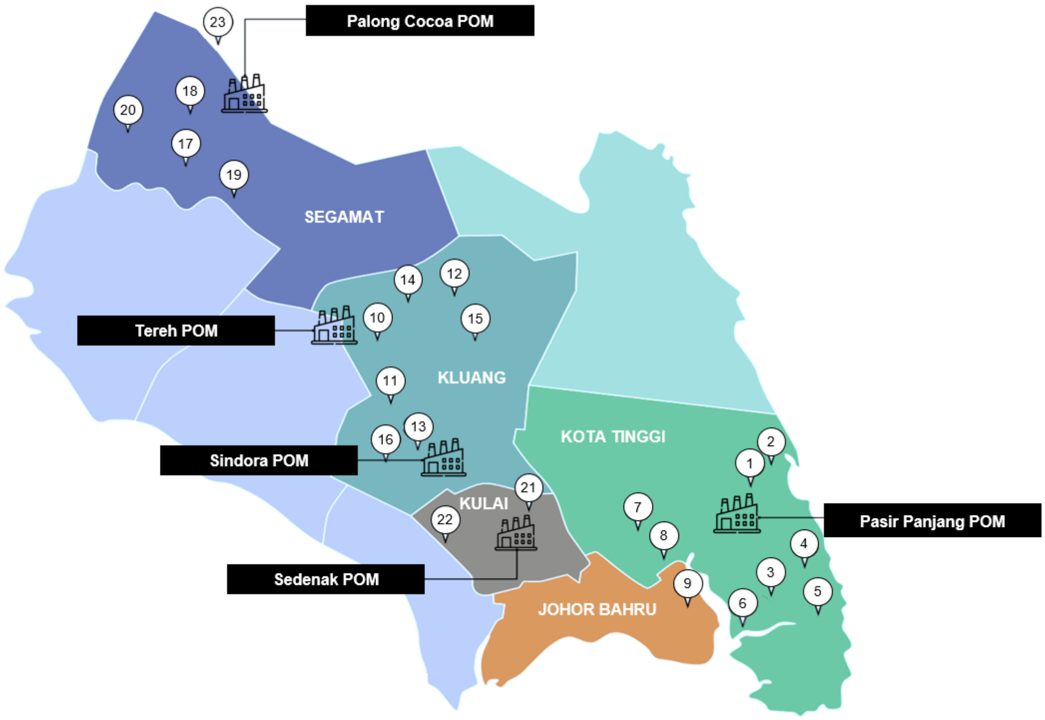
(4) Out of the total planted area of mature young and prime young oil palms of 38,383 Ha as at the LPD, 32,102 Ha or approximately 83.6% of the mature young and prime young oil palms were planted on estates owned by us.

For information purposes, the estimated revenue contribution from our rented estates during the Financial Years Under Review ranges between 12.2% and 13.6% for the Malay Reserved Estates and between 1.7% and 2.3% for the non-Malay Reserved Estates (i.e. 1,511 Ha of Kuala Kabong Estate and 404 Ha of REM Estate). Such revenue contribution was computed based on our estimated oil and kernel extraction rates as well as the average selling prices of CPO, PK and FFB during the respective financial years. As at the LPD, we also:

(i) manage 3 third-party plantation estates with a total land area of 1,549 Ha where we generate management fee income and purchase all FFB harvested from these managed estates; and

(ii) own 5 POMs that are strategically located within close proximity to most of our plantation estates where we process FFB to produce CPO and PK.

Save for our UMAC Estate, that is located in the District of Rompin at Pahang, all of our other estates and POMs are located in various districts in Johor as follows:



Estates in Kota Tinggi, Johor
1. Tunjuk Laut Estate*
2. Pasir Logok Estate*
3. Pasir Panjang Estate#
4. Bukit Kelompok Estate*
5. Siang Estate
6. Sungai Papan Estate
7. REM Estate#
8. Basir Ismail Estate
9. Bukit Layang Estate

Estates in Kluang, Johor
10. Tereh Utara Estate
11. Tereh Selatan Estate
12. Selai Estate
13. Sindora Estate
14. Sungai Tawing Estate
15. Mutiara Estate
16. Rengam Estate

Estates in Segamat, Johor
17. Mungka Estate
18. Palong Estate
19. Labis Bahru Estate
20. Sepang Loi Estate

Estates in Kulai, Johor
21. Sedenak Estate
22. Kuala Kabong Estate*

Estate in Rompin, Pahang
23. UMAC Estate

Notes:
* Rented
# Partially rented

The table below sets out the plantation estates that we operate and manage as at the LPD:

Owned
1. Basir Ismail Estate
2. Bukit Layang Estate
3. Labis Bahru Estate
4. Mungka Estate
5. Mutiara Estate
6. Palong Estate
7. Pasir Panjang Estate(1)
8. REM Estate(2)
9. Rengam Estate
10. Sedenak Estate

Owned (cont'd)
11. Selai Estate
12. Sepang Loi Estate
13. Siang Estate
14. Sindora Estate
15. Sungai Papan Estate
16. Sungai Tawing Estate
17. Tereh Selatan Estate
18. Tereh Utara Estate
19. UMAC Estate

Rented
1. Bukit Kelompok Estate
2. Kuala Kabong Estate
3. Pasir Logok Estate
4. Tunjuk Laut Estate

Managed
1. MAINJ Estate(3)
2. Asam Bubok Estate(4)
3. Air Manis Estate(5)

Notes:

(1) Bukit Payung Estate is one of the Malay Reserved Estates that we rent from JCorp. It has been merged administratively into our Pasir Panjang Estate since 2021. Bukit Payung Estate measures 2,307.6 Ha or approximately 58.9% of the total land area of Pasir Panjang Estate.

(2) We rent 404 Ha or approximately 15.5% of the total land area of REM Estate, which consists of 229 Ha that is rented from Johor Land and 175 Ha that is rented from Kulim. However, Kulim has informed us that it is in the process of disposing of a portion of the REM Estate measuring 29 Ha, and we will then cease our tenancy in respect of such area once the disposal is completed. The disposal is not expected to have any material impact to our business operations and financial performance as the land area represented less than 0.1% of our total landbank.

(3) We provide management services at the MAINJ Estate pursuant to a management agreement with MAINJ until the expiry of the management agreement in December 2019. Notwithstanding the expiration of the said management agreement, we have continued to provide management services at the MAINJ Estate and MAINJ have made payments to us for our services. As at the LPD, we are in the process of negotiating the terms for a formal renewal of the management agreement. It is anticipated that the management agreement will be finalised and executed between MAINJ and us by the end of June 2024.

(4) On 1 September 2021, we have entered into a management agreement with Asam Bubuk Sdn Bhd to provide management services to Asam Bubuk Sdn Bhd at Asam Bubok Estate for a term of 5 years, commencing from 1 January 2020 to 31 December 2024.

(5) We entered into a management agreement with Southern Catalyst Sdn Bhd to provide management services to Southern Catalyst Sdn Bhd on 16 June 2022 at Air Manis Estate for a term of 1 year, commencing from 1 June 2022 to 31 May 2023, which was extended for a further period of 7 months expiring on 31 December 2023. We have subsequently entered into a new management agreement with Southern Catalyst Sdn Bhd on 19 November 2023 to provide management services at Air Manis Estate for a further term of 1 year, commencing from 1 January 2024 to 31 December 2024.

We sell our CPO to third-party downstream refineries in Malaysia for further processing into edible oils or oleochemical products. We sell our PK to third-party PK crushing plants in Malaysia to produce PK products.

All of our POMs and estates are RSPO-certified. RSPO certification is recognised as a global benchmark for sustainability in the plantation industry, to which we adhere to all the following principles as set out in the RSPO Principles & Criteria 2018:

(i) behave ethically and transparently;

(ii) operate legally and respect rights;

(iii) optimise productivity, efficiency, positive impacts and resilience;

(iv) respect community and human rights, and deliver benefits;

(v) support smallholders' inclusion;

(vi) respect workers' rights and inclusion; and

(vii) protect, conserve and enhance ecosystems, and the environment.

In addition to our core business in the plantation segment, we are also involved in the following business activities provided to both external and related parties(1):

(i) trading of agricultural machineries and parts for plantation use;

(ii) selling of germinated seeds that we develop through plant breeding, ornamental plants, biofertilisers, and providing related services, such as landscaping;

(iii) providing training and advisory services relating to occupational safety and health; and

(iv) generating and supplying renewable energy, in particular, biomethane gas that is generated from our palm oil waste.

Note:

(1) Please refer to Section 10.1 of this Prospectus for further details of our material transactions with our related parties.

For further details on our plans to enter into the downstream business, please refer to Section 7.3.4 of this Prospectus.

7.2 COMPETITIVE STRENGTHS

7.2.1 We are regionally focused, with a large existing landbank in Johor and a strong operational track record

We are well-positioned to expand our presence in Johor as opportunities arise and increase production due to our existing size and scale and extensive industry experience focused primarily in Johor.

(i) Large landbank in Johor provides operational scale

We have a large existing landbank that spans close to 60,000 Ha in Johor. Our extensive landbank accounts for approximately 1% of the planted and mature area under oil palm in Malaysia, according to the IMR Report. The vast majority of our estates are located in Johor, where our landbank accounts for approximately 8.1% of the planted area and mature area, and approximately 13.6% of the estate area in Johor, according to the IMR Report. Our plantation operations cover a total planted area of 55,904 Ha, excluding our managed estates. The scale of our operations contributes to our cost competitiveness especially in terms of plantation input costs such as fertilisers, tools, machinery, and good agricultural practices.

The potential for long-term expansion of brownfield landbank for oil palm is limited in Johor due to the scarcity of land. In addition, most land suitable for brownfield projects is held by Malaysian state-owned agencies or private parties. Further, competition in our industry is limited due to the combination of high land costs in the region and the limited availability of land areas of 10,000 Ha or larger with a mill that that can support plantation operations. These factors present a barrier for new entrants and provide us with a competitive advantage over other existing players in our industry due to our strong operational track record and the foundational support of our Promoters and Substantial Shareholders, namely JCorp and Kulim.

As part of our strategy to increase our CPO production, we rent the Malay Reserved Estates and a portion of the Pasir Panjang Estate from JCorp via the Tenancy Agreement. This provides us with an additional 9,213 Ha of landbank in Johor. In September 2023, we entered into the Renewal Tenancy Agreement with JCorp to renew the term of the Tenancy Agreement for an additional period of 3 years, effective from 1 July 2023 to 30 June 2026. Please refer to Section 7.9 of this Prospectus for details of the Tenancy Agreement and the Renewal Tenancy Agreement.

Further, we have entered into an arrangement with JCorp to rent the Kuala Kabong Estate until 31 December 2024. This provides us with an additional 1,511 Ha of landbank in Johor. We also rent 404 Ha of the REM estate (approximately 15.5% of the total land area of the REM Estate), which consists of 229 Ha that is rented from Johor Land and 175 Ha that is rented from Kulim. However, Kulim has informed us that it is in the process of disposing of a portion of the REM Estate measuring 29 Ha, and we will then cease our tenancy in respect of such area once the disposal is completed. The disposal is not expected to have any material impact to our business operations and financial performance as the land area represented less than 0.1% of our total landbank.

(ii) Favourable age and topographical profile of oil palms

As at the LPD, approximately 54.3% of our total oil palm planted area were planted with prime young oil palms aged between 9 to 18 years. Our oil palms, which had a weighted average age of 13.9 years as at the LPD, have a favourable age profile that we actively manage through replanting and land acquisition or rental. We believe this positions us well to sustain and expand production. Oil palms reach their prime maturity and peak production period when they become prime young oil palms at approximately 9 to 18 years after they are planted. Prime young oil palms can generally produce more than 25 MT of FFB per Ha per year. Approximately 14.3% of our palms are mature young oil palms between the ages of 4 to 8 years. These mature young oil palms will reach peak maturity when they reach their prime young age between 2024 and 2028.

The table below sets out the age profile of the total oil palm planted area of our oil palm plantations, excluding managed estates, as at the LPD:

	Average age profile of oil palm plantations as at the LPD					
Area planted	**Less than 3 years (Immature)**	**4 to 8 years (Mature young)**	**9 to 18 years (Prime young)**	**19 to 22 years (Prime old)**	**23 years and above (Old)**	**Total**
Total area planted (Ha)	3,816	8,011	30,372	8,695	5,010	55,904
% of the total oil palm planted area	6.8	14.3	54.3	15.6	9.0	100.0

As the majority of our oil palms are in their peak production years, we believe that the age profile of our oil palms will drive an increase in our FFB production in the coming years. We expect this FFB production growth to lead to an increase in CPO and PK production without significant additional expenditures on land acquisition or FFB purchases from third parties. We also have an annual replanting programme to maintain our oil palms at peak production age. Given the distribution of the age profile of our oil palms, we maintain a relatively low annual replanting target of up to 4% of our total oil palm planted area.

For the Financial Years Under Review, we replanted a total area of 1,238 Ha, 1,122 Ha, 1,216 Ha and 1,484 Ha respectively (or less than 3% of our total oil palm planted area each year) and have spent approximately RM35.3 million, RM27.6 million, RM28.6 million and RM46.0 million respectively on replanting costs.

Our oil palm estates also have a favourable topographical profile that we are able to harvest and maintain. As at the LPD, approximately 71.2% of our plantation estates are located on flat or undulating terrain.

Our replanting programme also enables us to improve the quality of our oil palms through the use of developed seedlings specifically developed to increase yield based on topographical profile of our plantation estates. We replant using high-yielding material to increase our yield per Ha. Our current target for the adoption of clonal material in our annual replanting programme is between 18% to 35%. As at the LPD, a total of 4,703 Ha of our total planted area was planted with clonal palms, which are high-yielding planting materials that were planted through our replanting programme.

For the Financial Years Under Review, we achieved a palm product yield of 6.0 MT per Ha, 5.3 MT per Ha, 5.7 MT per Ha and 5.1 MT per Ha respectively. By replacing older trees with higher yield clonal palms, we aim to attain a palm product yield of 7.0 MT per Ha from our mature oil palm plantings by increasing our planted area using clonal palms to about 10% by 2025 as compared to our planted area using clonal palms of about 8% during the FYE 2023. We believe that this can enable us to generate more revenue per Ha in the future. Please refer to Section 7.3.1 of this Prospectus for further details on our plan in increasing our CPO production output.

(iii) Operational efficiency and excellence

Our regionally-focused operations with a large existing landbank in Johor have consistently outperformed the industry average (i.e. MPOB benchmark) measured across our key performance indicators (i.e. average FFB yield per Ha, oil extraction rate and average CPO selling price) during the Financial Years Under Review. The table below illustrates our superior operational performance in terms of our average FFB yield per Ha, oil extraction rate and average CPO selling price, in each case as compared to the national MPOB benchmark average:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	Our average	MPOB average	Our average	MPOB average	Our average	MPOB average	Our average	MPOB average
FFB yield per Ha (MT per Ha)	22.9	16.7	20.1	15.5	22.1	15.5	20.3	15.8
Oil extraction rate (%)	21.0	19.9	20.8	20.0	20.3	19.7	19.9	19.9
CPO selling price (RM per MT)	2,753	2,686	4,422	4,407	5,177	5,088	3,989	3,810

As at the LPD, we have 23 plantation estates, consisting of 22 plantation estates in Johor and 1 plantation estate in Pahang. Due to the close proximity of our plantation estates to our POMs, we are able to optimise efficiency and achieve cost synergies through lower overheads, such as transportation and management costs, particularly where we have plantation estates that are contiguously situated. We are also able to optimise our milling operations because all 5 of our POMs are strategically located within close proximity of no more than 150 kilometres from our plantation estates, which enables us to strategically route FFB to the nearest POM and deliver our FFB to our POMs within 24 hours of harvesting. This helps us to control and minimise transportation costs and FFB spoilage and for our POMs to have quantities of FFB that are necessary to maximise productivity.

We align our operating standards to RSPO principles and believe that this is an efficient and socially and environmentally responsible way of operating sustainably. We are gradually reducing our greenhouse gas emissions. In 2021, our carbon dioxide emission from our plantation estates of 1.1 MT per MT of CPO/PK was lower compared to the average carbon footprint among RSPO producers of approximately 3.2 MT per MT of CPO, according to the RSPO's Impact Report 2022. Please refer to Section 7.2.2(v) of this Prospectus for our renewable energy initiatives.

We recycle water from steriliser condensates in our POMs. We monitor the biochemical oxygen demand of surrounding water bodies to ensure our effluents stays below permissible limits. We install water catchment areas to harvest rainwater.

Our initiatives to reduce carbon emissions include:

(i) utilising biogas, PK shells and mesocarp fibre for power generation, which reduces our electricity offtake from the national grid and lowers methane emissions from our biowaste;

(ii) composting EFB and POME to recycle nutrients back into the soil as mulch and bio-compost;

(iii) improving conservation and maintenance of biodiversity in high conservation value areas and high carbon stock areas;

(iv) adhering to our "No Deforestation, No New Development on Peat and No Exploitation (of human rights)" policy;

(v) refraining from till farming or burning and utilising cover crop and pulverisation;

(vi) moderating our use of chemicals through integrated pest management and natural pest control strategies;

(vii) recycling water from steriliser condensates in our POMs;

(viii) monitoring biochemical oxygen demand of surrounding water bodies to ensure our effluents stays below permissible limits; and

(ix) installing water catchment areas to harvest rainwater and regulate water consumption of our POMs.

All of the FFB produced plantation estates that are owned and rented by us are RSPO-certified. Our FFB serves as the primary source of FFB supply for our POMs to process. 4 of our POMs, namely the Sindora POM, Tereh POM, Pasir Panjang POM and Palong Cocoa POM, are Identity Preserved Mills that exclusively produce RSPO-certified sustainable palm oil. Our Sedenak POM is a Mass Balance Mill that mixes certified sustainable palm oil with non-certified CPO.

As at the LPD, we have a total of 5 POMs as set out below:

(i) our Sedenak POM has been in commercial operation since 1981. In 2005, we upgraded the FFB processing capacity of our Sedenak POM from 30 MT per hour to 90 MT per hour;

(ii) our Tereh POM has been in commercial operation since 1979. In 1991, we upgraded the FFB processing capacity of our Tereh POM from 30 MT per hour to 60 MT per hour;

(iii) our Pasir Panjang POM has been in commercial operation since 1995. In 2019, we upgraded the FFB processing capacity of our Pasir Panjang POM from 45 MT per hour to 60 MT per hour;

(iv) our Sindora POM has been in commercial operation since 1998. In January 2024, we have upgraded the FFB processing capacity of our Sindora POM from 45 MT per hour to 60 MT per hour; and

(v) our Palong Cocoa POM has been in commercial operation since 1991 and has FFB processing capacity of 40 MT per hour. We have not upgraded the FFB processing of our Palong Cocoa POM as it currently has sufficient capacity to process the RSPO-certified FFB from nearby estates.

Our FFB processing utilisation rate for each of our POM is set our below:

POM	Validity period of MPOB licence	Maximum FFB processing capacity per hour (MT)	Maximum FFB processing capacity per year[1] (MT)	Actual FFB processed[2] (MT)	Utilisation rate[3] (%)
Sedenak POM	1 January 2023 to 31 December 2023	90	450,000	408,635	90.8
Tereh POM	1 June 2022 to 31 May 2023	60	390,000	306,142	78.5
Pasir Panjang POM	1 January 2023 to 31 December 2023	60	300,000	204,981	78.8
Sindora POM[4]	27 January 2023 to 31 December 2023[5]	45	260,000	218,364	84.0
Palong Cocoa POM	1 December 2022 to 30 November 2023	40	192,000	167,198	87.1

Notes:

(1) Based on the maximum FFB processing capacity per year specified in the MPOB licences for the respective POMs, which is computed as each POM's maximum throughput per hour and assuming 2 working shifts of 8 hours per day.

(2) Actual FFB processed during the latest annual validity period as set out in the MPOB licenses for the respective POMs.

(3) Computed as actual FFB processed divided by maximum FFB processing capacity per year.

(4) We upgraded the FFB processing capacity of our Sindora POM from 45 MT per hour to 60 MT per hour to increase our maximum FFB processing capacity per year from 260,000 MT to 396,000 MT in January 2024. The upgrade includes the modernisation of the sterilisation system, the crude oil clarification system, and the enhancement of the biomass power plant.

(5) The validity period of the MPOB licence for our Sindora POM is less than 12 months due to re-issuance of the MPOB licence under our name on 27 January 2023 after the completion of the Pre-Listing Restructuring. This licence was initially issued under the name of Sindora which had a validity period of 1 year from 1 July 2022 to 30 June 2023.

(iv) Mechanisation and digital transformation in operations

Our continued efforts to mechanise and digitise our operations have contributed to better cost management and productivity, and reduced reliance on manual labour. We have:

(i) deployed the use of mini tractor, scissor lifts or grabbers as new methods of in-field evacuation for areas suitable for mini tractors to replace the mechanical buffalo;

(ii) implemented the use of the bin system to replace the manual loading of FFB for speedy evacuation to the POMs; and

(iii) adopted smart manure spreaders for precision manuring.

Digitalisation initiatives allow us to free up manual labour from monitoring, mapping, analysing and storing information and data on our plantations, streamlining our processes and increasing our efficiency.

We developed the K-Plant mobile application that we deploy in our operations. This mobile application provides real-time monitoring and reporting of various processes including sundry payments, check-rolls, nursery operations and harvesting, and is being used to replace manual in-field and mill tasks to provide a shared information database for plantation operations management.

We use a precision fertiliser application to optimise fertiliser utilisation. We began using spreaders with global positioning system or geographic information system technology, wherever possible, to establish traceability and digitalised reporting. We deploy a system that regulates and automates fertiliser application to improve yield quality with precise manure application. We use a carbon reporting tool to derive sustainability-related insights alongside established reporting and accounting. This eliminates the need for reporting using manual processes. It also allows our sustainability key performance indicators to be updated instantly as new data is integrated, and provides flexibility in integrating with various data sources for reporting.

We believe that digitalisation will be core to our culture in the future. Our employees and workers use digital technologies on a daily basis. With platforms such as Power Business Intelligence, we are leveraging data and analytics to improve the way we run our plantation estates, POMs, marketing, and the purchase of external crop. In order to achieve better supervision and control, we introduced the Supervisory Control and Data Acquisition System for the first digester control system at our Pasir Panjang POM during the 3rd quarter of 2022.

We also introduced K-For, a system to store relevant data of our foreign workers for better efficiency in managing our workers. In 2023, we launched a pilot project to update our Enterprise Resource Planning System to SAP S/4HANA Cloud and SAP Ariba for enhanced management, operations, administration, and accounting. This allows us to maintain our competitive edge and deliver long-term sustainable value.

We have adopted digital solutions to increase operational efficiency in our POM operations. This includes digital weighing, automated control system, computerised maintenance management system, Fourier-transform infrared spectroscopy for quality inspection, digital draft control system for smoke emission, automated sludge dewatering system for effluent treatment plant, digital sensor for ammonia level detection at water course and real-time update computerised emission system.

(v) Strong track record and expertise in the Johor region

We have an extensive regional experience focused primarily in Johor. Our legacy in the Malaysian plantation sector dates back to 1933 when Kulim Rubber Plantations Limited was incorporated in the United Kingdom. Our understanding of Johor (in terms of its weather, soil, seasonality, supply chain, transportation, policies, and politics) and our experience in operating plantation estates in the region makes us a trusted producer and partner for both customers and local communities. We are well positioned to secure new land acquisition or rental opportunities in Johor, and maintain strong customer relationships. We believe that our successful track record, deep expertise, and strong reputation can enable us to seize opportunities to expand our plantation area and RSPO-certified FFB from third parties, which in turn will enable us to sustain and expand our production.

7.2.2 We seek to adhere to sustainable plantation practices and produce sustainable palm oil products

We believe that our investment in, and focus on, production of more sustainable and traceable palm oil products positions us well to serve the growing demand as more of our customers and their end customers prioritise higher-quality and more socially conscious palm oil products. We have become a proven and trusted partner for our customers and their end customers due to our ability to consistently produce CPO that is suitable for use in international markets. For example, the end customers that use our CPO include an international chocolate and hazelnut confectionery company based in Europe.

We are part of a small group of environmentally responsible suppliers around the world, given that only 20.5% of global CPO production was RSPO-certified in 2022, according to the IMR Report. We are able to market our products and achieve a premium above the market price for our CPO due to our sustainable palm oil product offerings, which are traceable and RSPO-certified. For the Financial Years Under Review, we achieved a higher average CPO selling prices than the national MPOB average selling prices, as set out in Section 7.2.1(iii) of this Prospectus.

(i) Traceability

The majority of the palm oil products that we produce and sell are highly traceable. We track each step of the FFB production process, which results in our own FFB processed in our POMs being traceable to our plantations. We use the RSPO's PalmTrace traceability system to register our physical sales and processing activities of CPO, PK and fractions sold to market during our tracing process. We have undertaken a traceability information gathering exercise with all of our FFB suppliers in relation to supplier plantation traceability beginning in 2021.

Our FFB purchase agreements with smallholders and traders require them to provide traceability information to us since 2021. As at the LPD, 1,432 out of 2,148 smallholders, or approximately 66.7%, have provided complete traceability information. We continue to engage with our smallholders to collect traceability information. We are also in the process of digitalising the traceability information collection.

The European Union Deforestation Regulation that is scheduled to come into force at the end of December 2024 will require full traceability to the location of oil palms. We believe that we are well placed to comply with these requirements as our traceability already extends to the oil palm fields on our plantation estates.

(ii) Sustainable land management and operation of plantation estates

We have made a commitment to sustainability, and to operate in a manner that is respectful of the needs of local communities and protects the natural environment. We were an early adopter of many agricultural practices that are now recognised as fundamental to demonstrate a commitment to sustainability. Open burning on our estates and mill grounds is strictly prohibited under the Environmental Quality Act 1974 and RSPO regulations. We follow a zero-burning replanting programme, whereby oil palms are felled, shredded, stacked and left in situ to decompose naturally. This eliminates a traditional source of carbon emissions across all of our owned, rented, and managed plantation estates. We monitor hotspots and fires on our plantation estates and surrounding estates owned or operated by third parties.

We use manuring pits to capture and harvest rainwater in our plantation estates. This reduces soil erosion and recycles surface water runoff. We also plant cover crops to reduce soil erosion. We utilise an integrated pest management system, including cattle grazing as a natural weeding method that improves soil fertility, recycles nutrients, and reduces chemical usage compared to the use of herbicides. We have 27 water catchments that supply potable water to our workers' homes on our plantation estates. We are committed to protecting peatlands, with only 1,366 Ha out of 55,904 Ha or approximately 2.4% of our total planted area located on peat.

(iii) Production of sustainable, high-quality palm oil products

All of the FFB produced on plantation estates that are owned and rented by us are RSPO-certified. Our FFB serves as the primary source of FFB supply for our POMs to process. 4 of our POMs, namely the Sindora POM, Tereh POM, Pasir Panjang POM and Palong Cocoa POM, are Identity Preserved Mills that exclusively produce certified sustainable palm oil, while our Sedenak POM is a Mass Balance Mill that mixes certified sustainable palm oil with non-certified CPO. We have obtained MSPO and ISCC certifications for all of our POMs. We also comply with the ISO/IEC 17025:2017 (Laboratory Management System) standards and MS 1500:2019 (Malaysian Standard on Halal Food) to promote the highest quality of our palm products.

Due to the investments that we have made in our CPO quality enhancement systems, we are capable of producing CPO that meets high quality standards set in international markets such as Europe and by sustainability-focused customers. In 2023, we installed a CPO washing machine in each of our POMs. This allows us to remove food contaminants such as 3MCPD that form in palm oil during the refining process. We also replaced all lubricant oil used in our operations with fully synthetic food-grade lubricant oil to help ensure that mineral oil contaminants are kept below acceptable levels. While only a small number of high-quality buyers have introduced limits to mineral oils, the European Union introduced guidance on the 3MCPD content in palm. The European Food Safety Authority believes mineral oil aromatic hydrocarbons may cause cancer and have agreed in principle to limit its content. Such guidance could lead to limits in future. We are among a small number of producers who have introduced bio-based lubricants to reduce mineral oil aromatic hydrocarbons content.

(iv) Sourcing of FFB from third parties

We have entered into FFB purchase agreements with certain smallholders and estates that hold RSPO and MSPO certifications for the purchase of RSPO-certified FFB. We also actively engage smallholders in Malaysia to help them gain MSPO and RSPO certifications and provide them with advisory and technical support through our smallholder inclusion programme. As at the LPD, 3 out of our 29 external crop suppliers have been certified by RSPO. Currently, the majority of the FFB that we obtain from third parties is not RSPO-certified. Our ability to produce certified sustainable palm oil is determined by the amount of RSPO-certified FFB that our plantation estates can produce and the limited amount of RSPO-certified FFB that we are able to purchase from smallholders and other third parties. Against this backdrop, we believe that our smallholder inclusion programme which helps smallholders to gain MSPO and RSPO certifications, demonstrates our commitment for sourcing RSPO-certified FFB that would bolster our production of traceable and sustainable palm oil products going forward.

(v) Renewable energy initiatives

We have implemented renewable energy initiatives that utilise waste generated by our operations. These initiatives have lowered our diesel consumption, quantity of waste, and helped to reduce our energy costs and carbon footprint.

(a) Biogas

Our biogas generation facilities have helped us to reduce our diesel consumption, energy costs and carbon footprint. At each of our 5 biogas facilities, we capture POME, a by-product from our milling operations, to generate biogas that we use for flaring, internal power generation and production of biomethane. During the FYE 2023, approximately 9.5% of the total energy consumption of our POMs was supported by our internally generated biogas.

We reduced our greenhouse gas emission to 1.1 MT of carbon dioxide emission per MT of CPO/PK during the FYE 2021 (FYE 2020: 1.2 MT of carbon dioxide emission per MT of CPO/PK). We reduced this further to 0.9 MT during the FYE 2022 and FYE 2023, as we commissioned 3 of our 5 biogas plants during the Financial Years Under Review. Please refer to Section 7.18.4 of this Prospectus in relation to the interruption to our biomethane plant at Sedenak POM due to a fire incident.

The table below sets out our actual greenhouse gas emissions for the Financial Years Under Review as compared to our carbon footprint target on greenhouse gas emissions for the respective financial years:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Actual greenhouse gas emission (MT of carbon dioxide emission per MT of CPO/PK)	1.2	1.1	0.9	0.9
Target greenhouse gas emission (MT carbon dioxide emission per MT of CPO/PK)	1.2	1.1	1.0	0.8

(b) Biomethane

Biomethane is a purified form of biogas that separates the carbon dioxide and other non-methane molecules from the gas stream. As some of these non-methane molecules can be harmful air contaminants, or produce such contaminants during combustion, biomethane is generally considered preferable to biogas, where feasible. Our first biomethane plant at our Sedenak POM commenced commercial operations in June 2023. Please refer to Section 7.18.4 of this Prospectus in relation to the interruption to our biomethane plant at Sedenak POM due to a fire incident.

We are developing bio-CNG plants at our Tereh POM and Sindora POM and we expect the construction and commissioning of the above bio-CNG plants to complete by the end of June 2024. We target to sell bio-CNG that we generate at these bio-CNG plants in July 2024 once they are fully operational, and we have arrangements with Gas Malaysia Green Ventures to feed bio-CNG from these facilities into the national gas distribution system.

(vi) Use of by-products from our POMs

We use the majority of our milling by-products such as mesocarp fibre and PK shell for internal power and steam generation. We also act as a biomass distributor by selling most of the remaining by-products to third parties rather than discarding them. During the Financial Years Under Review, we produced 95,035 MT, 88,919 MT, 91,563 MT and 87,411 MT of PK shell respectively. Most of our by-products were used internally for power and steam generation, with 20.7%, 18.4%, 20.4% and 15.7% sold to third parties respectively during the Financial Years Under Review. We also sell EFB to third parties who use them as an additional source of energy generation.

As part of our waste-to-wealth initiative, we built a PFOE plant at our Sedenak POM. The PFOE plant was completed in July 2023 and became operational since September 2023. It extracts the remaining oil in mesocarp fibre, a FFB milling by-product.

7.2.3 We have strong brand recognition and foundational support from our association with our Promoters, namely JCorp and Kulim

We are an indirect subsidiary of JCorp, Johor's economic development corporation with significant involvement in key business sectors including agriculture, wellness and healthcare, food and restaurants, as well as real estate and infrastructure. In particular, JCorp has a long history in the Malaysian agriculture sector and the plantation industry.

Our parent company, Kulim, whose long-standing reputation can be traced to its roots in 1933 when Kulim Rubber Plantations Limited was incorporated in the United Kingdom. Kulim Rubber Plantations Limited began operations with a 190 Ha rubber plantation in Johor, Malaysia in 1947. In 1970, it changed its name to Kulim Group Limited and listed its shares on the London Stock Exchange. In 1975, Kulim was incorporated to take over Kulim Group Limited, and was subsequently listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities). In 1976, the Johor State Economic Development Corporation (now known as JCorp) became a shareholder of Kulim. As part of the JCorp-backed Kulim group, we benefit from Kulim's and JCorp's industry reputation, both with customers, suppliers, financiers, investors, and other business partners.

In 1994, Kulim acquired 100% equity in our Company from JCorp. In 1996, Kulim acquired 90% stake in New Britain Palm Oil Limited in Papua New Guinea, which was later divested to Sime Darby Plantation Sdn Bhd in February 2015. Kulim has been involved in the plantation operations in Malaysia and has accumulated years of experience in the plantation industry.

Taking into account Kulim's presence in the plantations business and ownership of all of our plantation estates prior to the Pre-Listing Restructuring, we are one of the most established and experienced upstream oil palm plantation companies in Malaysia.

7.2.4 We are well-positioned to benefit from strong palm oil fundamentals and demand growth trends

(i) Palm oil

Globally, demand for vegetable oil is forecasted to grow at a compounded annual growth rate of 2.8% from 2020 to 2030 and 2.5% from 2030 to 2040. Demand for palm oil is forecasted to grow at a compounded annual growth rate of 1.4% from 2020 to 2030 and 1.2% from 2030 to 2040. Food use of palm oil is forecasted to grow at a compounded annual growth rate of 0.8% from 2020 to 2030 and 1.0% from 2030 to 2040.

Demand for palm oil is forecasted to grow at a faster rate than supply, which is being held back by an inability to expand oil palm planting area, until 2032 according to the IMR Report. From 2032 onwards, the growth in supply is expected to be slightly faster than demand as higher soybean oil supplies remove some of the pressure from palm oil and replanting helps to increase production, but stocks are expected to remain tight.

After a period of rapid growth from 2010 to 2020, palm oil production is forecasted to slow. The main slowdown is expected to be in Indonesia where limits to planting area expansion have meant much slower output growth. Malaysia is forecasted to record very limited growth in palm oil production through 2030 due to reduced oil palm area and stagnant yields caused by labour shortages, management issues, over-age trees and the spread of Ganoderma. In terms of supply, sustainability pressures and finding appropriate land made it more difficult to plant oil palm. The slowdown in area growth has been coupled with stagnant to declining yields causing output to decrease.

(Source: IMR Report)

We believe that trends of increasing demand for palm oil products, coupled with slowing growth rates of production, will help to drive demand for our products and future revenue growth.

(ii) Johor state

22 out of our 23 oil palm plantation estates are located in Johor, which has prime conditions for continued oil palm cultivation. Johor has favourable environmental conditions for growing oil palm because of its climate, including its annual precipitation levels and temperature. Johor has been an agricultural state dating back to the 1800s when it was used for rubber plantations and other crops.

Most land in Johor is already under plantation cultivation and there is limited land availability in the Johor state. With limited land availability, we believe that we have a competitive advantage over other players in our industry for land acquisition or rental opportunities in Johor due to our strong operational track record, regional presence and foundational support of our Promoters.

(iii) Sustainable CPO

There is increasing consumer awareness on health, food safety and sustainability, and businesses have begun to make their own commitments to sustainability. This has driven demand among our customers and their end-consumers for sustainably-produced palm oil products.

We have a proven and long-standing commitment to sustainable palm oil production. Our operations first received RSPO certification in 2009 while operated by Kulim. Since then, we have been maintaining our operations at the RSPO-certified standard. As at the LPD, all of our POMs and accompanying plantation estates are RSPO-certified, and all of the FFB produced on plantation estates that are owned and rented by us are RSPO-certified. Please refer to Section 7.2.2 for further details regarding our sustainable plantation practices and production of sustainable palm oil products.

7.2.5 Our integrated business model allows us to leverage and diversify along the palm oil value chain

We have established an integrated business model that operates across the upstream of the palm oil value chain. Integration along the palm oil value chain provides us with greater control over the supply chain and production process. This additional control promotes an increase in the quality of our products. It also enables us to improve efficiency and reduce costs by leveraging synergies along the value chain.

Our business model is built on business segments that integrate with one another. This helps us utilise resources efficiently and achieve carbon footprint reduction. For example, cattle grazing has been introduced into our plantations as a natural weeding method while improving soil fertility, recycling nutrients, and reducing chemical usage. By-products derived from FFB processing are used to generate renewable energy for both our own use and external supply. We also sell various by-products from our CPO and PK production processes, such as mesocarp fibre, PK shell, EFB and POME, to minimise waste and generate ancillary sources of revenue.

Given the scale of our integrated upstream operations, we are well-positioned to enter into the downstream palm oil segment in the future. Please refer to Section 7.3.4 of this Prospectus for further details of our plans to enter into the downstream business.

7.2.6 We have an experienced and committed research and development unit

We invest in research and development initiatives to establish good agricultural practices that help to increase our yield and productivity. For example, our in-house research and development unit has collaborated with MPOB to develop new oil palm clones. After 7 years of research, a jointly developed Clone P325 was officially recognised as an "elite clone" (a planting material of choice) producing an average FFB of 30 MT per Ha a year, with an estimated oil extraction rate of 28.1%, and CPO of 8.5 MT per Ha a year, as compared to our standard DxP oil palm producing an average FFB of 28 MT per Ha a year, with an estimated oil extraction rate of 23.1%, and CPO of 6.6 MT per Ha a year. In recognition of its superiority, the clone won the Malaysian Innovative Product Gold Award at the International Invention, Innovation and Technology Exhibition 2020.

Our clone is expected to be commercialised and sold to the external market in 2027 with 60,603 ramets. We aim to increase the production of seeds to cater the high demand from the market. Additionally, our laboratory, Johor Plantations Agritech Centre Central Analytical Lab was awarded with Institut Kimia Malaysia Laboratory Excellence Award 2023 from the Malaysian Institute of Chemistry. Please refer to Section 7.11 of this Prospectus for further details of our research and development activities.

7.2.7 Our Managing Director and Key Senior Management have extensive experience

We are led by our experienced Managing Director and supported by our Key Senior Management, each of whom has substantial knowledge and exposure in the oil palm plantation industry:

(i) Mohd Faris Adli Bin Shukery, our Managing Director, oversees our entire palm oil business and expansion strategies and initiatives, and has more than 19 years of experience in the plantation industry;

(ii) Aziah Binti Ahmad, our Chief Financial Officer, oversees our accounting functions, including financial reporting, budgeting and cash flow management, and has more than 35 years of experience in accounting, finance, and audit in various industries;

(iii) Mohamad Yami Bin Bakar, our Head of Plantation, oversees the operation of all of our plantation estates and POMs, and has more than 31 years of experience in the plantation industry;

(iv) Amran Bin Zakaria, our Head of Group Human Capital, oversees all matters related to human resource, and has more than 29 years of experience in human resource in various industries; and

(v) Wan Adlin Bin Wan Mahmood, our Head of Sustainability and Innovation, oversees the management of our sustainability system, innovation management and project management, and has more than 20 years of management experience in the plantation industry.

They have also spent a significant part of their careers serving in leadership positions in Kulim prior to the Pre-Listing Restructuring and has been contributing to the growth and success of our plantation business. In addition, each of them possesses different functional expertise such as operations, sales and marketing, engineering, finance and accounting, and human resource. These complementary skills have been critical to our management efficiency.

As at the LPD, our Managing Director and Key Senior Management are supported by 103 management employees consisting of junior and middle management employees from headquarters, plantation estates and POMs, with extensive experience in managing plantation operations.

7.3 FUTURE PLANS AND STRATEGIES

7.3.1 We intend to increase CPO production output

We intend to increase our CPO production output by increasing operational efficiency, land acquisition or rental and expanding external sourcing of RSPO-certified FFB.

(i) Operational efficiency

Profitability in the palm oil industry is closely linked to high output, efficient use of inputs and low production costs. We aim to drive palm oil yields higher and reduce production costs to underpin our profitability and sustainability. As part of this effort, we have launched an initiative called "Palm Product Yield 7.0 MT" to attain yields of at least 7.0 MT of palm products per Ha from our mature oil palm plantings through enhanced operational efficiency, and investment in research and development to improve replanting outcomes and increased mechanisation, including the upgrading of latest machineries and milling technology. The palm product yield is arrived at based on the sum of oil extraction rate and kernel extraction rate generated for every Ha of land planted with matured oil palms.

For the Financial Years Under Review, we achieved a palm product yield of 6.0 MT per Ha, 5.3 MT per Ha, 5.7 MT per Ha and 5.1 MT per Ha respectively. To increase our yields, our strategy is to replant old oil palms or those more than 25 years old with higher-yielding planting materials using various clonal palms such as KT clonal and improved DxP seedlings. We also plan to continue replanting our estates with improved planting materials that are developed through our research and development activities and incorporate more mechanisation and digitalisation into our production process to increase our CPO and PK production. Please refer to Sections 4.5.1(b) and 7.12 of this Prospectus for further information on the gross proceeds of approximately RM25.2 million from the Public Issue which has been allocated for replanting activities to be used within the period from the date of our Listing up to 2025, and the details relating to mechanisation in our production process and our digitalisation plans respectively.

(ii) Land acquisition, land rental and increase in managed estates

We may acquire existing plantation estates in Johor should such opportunity arise or enter into rental agreements given the limited suitable land available for expansion. We may increase the sourcing of our FFB by increasing our number of managed estates for third parties. We intend to focus this expansion in the Johor region to complement and leverage our existing operations. We may also expand to other geographies if it is commercially and operationally viable and synergistic to our existing operations. We have not set aside any funds for the acquisition or rental of plantation estates as at the LPD. In any event, such land acquisition or rental will be funded through internally generated funds and/or external financing.

(iii) Sourcing of RSPO-certified FFB

We plan to continue and expand our smallholder inclusion programme to assist more smallholders in applying for RSPO certification. This strategy, which involves collaborating with small-scale palm oil farmers who meet specific certification standards, is intended to facilitate sustainable and responsible palm oil production. This allows us to tap into additional sources of raw materials without the need for extensive land acquisition or ownership. In addition, this approach is intended to promote inclusivity and support to the local communities, thereby demonstrating our commitment to sustainable practices and responsible sourcing. These smallholders represent potential sources of additional RSPO-certified FFB for our operations.

We plan to continue to provide economic incentives to smallholders that sell RSPO-certified FFB to us. For the FYE 2023, we bought 21,947 MT of FFB, or 6.7% of our total FFB purchased, from independent smallholders that participated in our smallholder inclusion programme. We will continue our smallholder inclusion programme because of the higher demand and higher profit margin for traceable and sustainable CPO produced from RSPO-certified FFB. To that end, we have allocated RM6.7 million of the gross proceeds from the Public Issue for the purchase of FFB from smallholders, traders and third-party plantation estates that we manage to be utilised within a period of 3 months from the date of our Listing, as set out in Section 4.5.3 of this Prospectus.

7.3.2 We aim to focus on the sustainably-sourced CPO market

We aim to increase the sales volume of our CPO in sustainably-sourced CPO market. We believe we have a competitive advantage due to our long track record as an RSPO-certified producer since 2009 and our continued investment in CPO quality enhancement (refer to Section 7.2.2(iii) for further information).

The sustainably-sourced CPO market consists of customers that have more stringent purchasing requirements, such as RSPO certification, complete traceability and lower levels of mineral and other contaminants in the CPO. We are generally able to market our products at a premium when we sell them in the segment of the market that focuses on sustainably-sourced CPO. We believe that by selling a greater portion of our CPO products in this market segment, we can increase our revenue and margins, and achieve our growth strategy. We plan to continue to invest in new technologies and other advancements in CPO production to be identified to ensure that we are well-positioned to continue delivering sustainable, high-quality CPO in the future. We have not set aside any funds for such investment which has yet to be identified as at the LPD. In any event, such investment will be funded through internally generated funds.

7.3.3 We embrace sustainable principles by maximising the use of by-products from our POMs

As part of our commitment to operate sustainably and be an environmentally responsible plantation company, we plan to continue to incorporate sustainable principles into our operations by maximising the use of the by-products from our operations.

In the past, all the biogas produced in our operations was used for flaring or internal power generation. Going forward, we plan to further process additional excess biogas that we generate but do not use for our internal power generation into biomethane for sale as a natural gas alternative that has equivalent energy capacity. Biomethane is both clean and renewable. To that end, we converted the biogas plant at our Sedenak POM into a biomethane plant, which commenced commercial operations in June 2023, followed by our first production and sale of biomethane produced at our Sedenak POM to Gas Malaysia Green Ventures in August 2023. However, operations at our biomethane plant were temporarily suspended in October 2023 after a fire incident, as disclosed in Section 7.18.4 of this Prospectus. Restoration works were completed in May 2024 and we have since resumed operations at the said plant.

We are developing bio-CNG plants at our Tereh POM and Sindora POM and we expect the construction and commissioning of the above bio-CNG plants to complete by the end of June 2024. We plan to begin producing bio-CNG at these bio-CNG plants for commercial sales in July 2024. The estimated cost to construct these bio-CNG plants is approximately RM26.0 million, of which approximately RM16.9 million has been incurred as at the LPD. The construction cost is funded through internally generated funds and external financing.

7.3.4 We intend to diversify our offerings to include downstream products such as specialty oils and fats

While we are principally involved in upstream oil palm operations, we are evaluating opportunities to venture into the downstream market, including the refinery business, in order to diversify our offerings to include downstream products such as specialty oils and fats for food production. Through this diversification, we seek to enhance our position as a fully integrated oil palm producer and generate additional revenue across the entire value chain. We believe that further expansion of our integrated business model offers us the potential to better manage commodity price volatility by giving us the flexibility to channel our CPO and PK to various segments of our downstream processes at the appropriate time, thus benefiting from the different price characteristics and feedstock types in various downstream segments.

As part of our strategy to venture into the downstream segment of the plantation value chain, we have allocated RM171.6 million of the gross proceeds from our Public Issue to construct an integrated sustainable palm oil complex.

This complex is a large-scale facility that combines several stages of the palm oil production process in a single location. This would enable us to improve our overall efficiency and cost effectiveness in terms of reduced transportation costs, diversify our product offerings and enhance our competitiveness in the plantation market in Johor.

The construction of the integrated sustainable palm oil complex which comprises a POM, a downstream refinery, a kernel crushing plant, a bio-energy power plant and an animal feedmill in a single location allows us to integrate along the palm oil value chain involving our estate operations, mill operations, renewable energy processing and downstream refinery in view of the close proximity of these facilities to our estate. Our diversification in our product offerings to include specialty oil and fats is also expected to enhance our position as a fully integrated oil palm producer.

Further details of the integrated sustainable palm oil complex are set out below:

Description	Function	Estimated production capacity	Estimated cost (RM million)
Downstream refinery	To process CPO into specialty oil and fats	150,000 MT per annum	180.2
POM	To process FFB into CPO and PK	90 MT per hour	141.8
Bio-energy power plant	To produce renewable energy from the by-products of POM	12,000 KW per hour	91.4
Kernel crushing plant	To crush and press PK for extraction and processing into crude PK oil	60,000 MT per annum	16.7
Animal feedmill	To produce animal feeds from the by-products of POM and refinery	39,000 MT per annum	16.6
			446.7

The complex is intended to be constructed on Pasir Logok Estate after taking into consideration the following criteria:

(i) socio-economic benefits in terms of the development of the local community in areas surrounding the complex, creation of employment opportunities, improvement of infrastructures and economic growth;

(ii) the availability of sizeable land area at Pasir Logok Estate to cater for construction of the complex with an estimated built-up area of approximately 40 Ha;

(iii) the location of Pasir Logok Estate which is within close proximity to Fuji Oil Asia Pte Ltd's oil and fats processing plant in Pasir Gudang, Johor. This allows us to benefit from the logistics arrangement between both facilities;

(iv) the location of Pasir Logok Estate is not prone to flood. Constructing the complex on a non-flood-prone area eliminates any disruption to our business and operations as a result of flooding and will ensure smooth operation of the complex; and

(v) the certainty for the renewal of rental agreement by JCorp or Kulim in respect of the Malay Reserved Estates (including Pasir Logok Estate) as prescribed under the terms of the Tenancy Agreement and the letter of confirmation from JCorp and Kulim dated 13 September 2023. Please refer to Section 6.1.3(vi) of this Prospectus for further details.

We estimate the total cost for the construction of the new integrated sustainable palm oil complex to be approximately RM446.7 million.

We have identified Fuji Oil Asia Pte Ltd as our joint venture partner for our venture into the downstream plantation business. In this connection, we had on 25 January 2024, entered into a Shareholders' Agreement with Fuji Oil Asia Pte Ltd for the purpose of regulating the rights and obligations of the parties as shareholders of JPG Fuji. Our Company and Fuji Oil Asia Pte Ltd hold 51% and 49% respectively in the issued share capital of JPG Fuji. Please refer to Section 14.6(xi) for further details of the Shareholders' Agreement.

Through JPG Fuji, we will fund 51% of the estimated cost for the downstream refinery amounting to RM91.9 million, while the remaining RM88.3 million will be funded by Fuji Oil Asia Pte Ltd. The total cost for setting up the integrated sustainable palm oil complex to be borne by us is approximately RM358.4 million, out of which RM171.6 million is via proceeds from the Public Issue, while the remaining RM186.8 million will be funded through internally generated funds and/or external financing. As at the LPD, no amount has been incurred towards construction of this project.

We completed the preparation of conceptual designs and preliminary assessment on feasibility study in June 2023. The construction of the integrated sustainable palm oil complex is estimated to take approximately 32 months from January 2024 as summarised below:

Key events		Estimated duration	Time frame
(i)	Appointment of consultants to prepare detailed designs	5 months	By the 2nd quarter of 2024
(ii)	Receipt of all approvals from the relevant authorities[1] and commencement of tender process for the appointment of the relevant parties/contractors	6 months	By the 4th quarter of 2024
(iii)	Completion of construction works	18 months	By the 2nd quarter of 2026
(iv)	Commissioning of complex and commencement of commercial operation	3 months	By the 3rd quarter of 2026

Note:

(1) Comprises, among others, Department of Environment, Economic Planning Unit, Malaysia Investment Development Authority, MPOB and Federal Department of Town and Country Planning.

As at the LPD, we are in the midst of appointing the consultants for the preparation of detailed designs of the complex which is expected to be completed by the 2nd quarter of 2024. The complex is expected to occupy an approximate built-up area of 40 Ha and we plan to commence construction after obtaining the relevant approvals from the authorities. The complex is expected to become operational by the 3rd quarter of 2026.

7.3.5 We intend to expand the production capacity of our POMs

We plan to continue to explore opportunities to increase production capacity to meet our growth targets. These opportunities may include further upgrades to our existing POMs or strategic acquisitions of additional POMs. This would allow us to process increased volumes of FFB, which we expect to generate in the future due to the age profile of our plantations and expected increase in the number of our oil palms that are in peak production years. In this regard, we plan to construct a POM with a FFB processing capacity of 90 MT per hour as part of our integrated sustainable palm oil complex (as set out in Section 7.3.4 of this Prospectus) by the 3rd quarter of 2026, to further expand our production capacity and realising our growth targets. The budgeted cost for the construction of the POM is estimated to be approximately RM141.8 million, which will be funded through a combination of Public Issue proceeds, internally generated funds and/or external financing.

7.3.6 We intend to improve our operational efficiency, productivity, and governance through use of digital technologies

We recognise the need to embrace digitalisation as part of our transformation into a progressive, efficient, and profitable company. We intend for digitalisation to be at the core of our operations going forward. Our employees and workers are adopting the use of digital technologies on a daily basis. We intend to prioritise initiatives to address digital needs such as the automation of FFB grading and digitalisation of laboratory operations. We are undertaking several key initiatives such as the K-Plant mobile application, which is deployed in our operations to support real-time monitoring and reporting of check-rolls and harvesting. This mobile application is being used to replace manual in-field and mill tasks and provide a single source of information for plantation operations management. We also introduced K-For, a system to store relevant data of our foreign workers for better efficiency in managing our workers.

As we make these advancements in digitisation, information security will remain our core priority. We have a series of planned initiatives to strengthen our cybersecurity infrastructure and protocols in the coming years. We are developing a cybersecurity framework with targeted implementation by the 3rd quarter of 2024 and annual vulnerability assessments and network penetration tests. This enhancement will fortify our entire data security and digital landscape, providing the added benefit of increased trust and security by continuously verifying user identities and devices. Additionally, we plan to enhance the security of our in-house deployed applications with a web application firewall by the 1st half of 2024. As part of our efforts to enhance our cybersecurity framework and infrastructure, we plan to upskill our employees with training on best data security practices. The budgeted cost to enhance our cybersecurity framework and infrastructure is estimated to be approximately RM0.5 million, which will be funded through our internally-generated funds.

7.4 PRINCIPAL BUSINESS ACTIVITIES

7.4.1 Plantation business

We are an upstream oil palm plantation company operating predominantly in Johor, Malaysia. In connection with our IPO, we have plans to enter into the downstream plantation business. We primarily own, manage, and cultivate oil palms and harvest FFB produced on the plantation estates that we own or rent.

We have ventured into renewable energy operations to improve the value of our plantation operations and reduce our carbon footprint.

Our research and development initiatives are focused on continuously improving the quality of our planting materials for optimal yield. Please refer to Section 7.11 of this Prospectus for further details of our research and development activities.

7.4.1.1 Estate operations

(i) Our plantation landbank and estates

As at the LPD, we have 23 plantation estates, consisting of 22 plantation estates in Johor and 1 plantation estate in Pahang. We have a total landbank of 59,781 Ha (comprising 48,653 Ha that we own, 9,213 Ha of Malay-reserve land that we rent and 1,915 Ha of other land that we rent). We have a total oil palm planted area of 55,904 Ha, representing approximately 93.5% of our plantation estates' total land area. The total oil palm planted area comprises 45,175 Ha which we own and 10,729 Ha which we rent.

We also manage 3 third-party plantation estates with total land area of 1,549 Ha. We own 5 POMs that are strategically located within close proximity to most of our owned and rented plantation estates in Johor where we process FFB to produce CPO and PK. CPO is a type of unrefined vegetable oil obtained from the fruit of the oil palm. PK is the kernel or core of the oil palm fruit. Both CPO and PK are used in the production of palm products, including versatile oil and fat products that can be used in a wide range of applications, from food manufacturing and cosmetics to biofuel and pharmaceuticals.

As at the LPD, our plantations have 52,088 Ha of mature area and 3,816 Ha of immature area.

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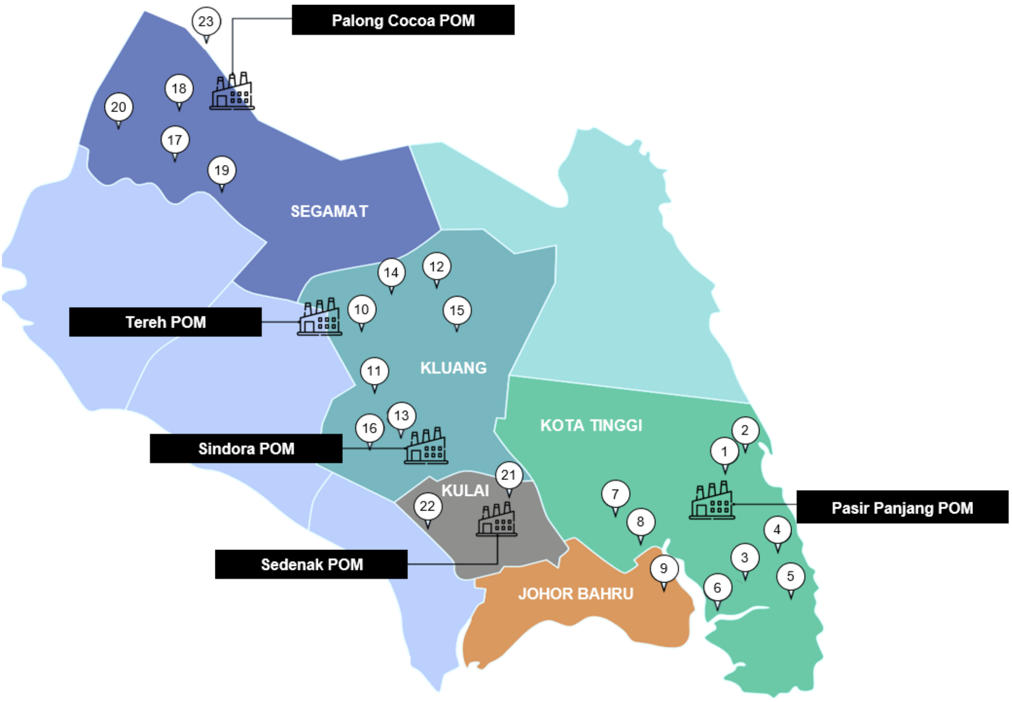

Estates in Kota Tinggi, Johor
1. Tunjuk Laut Estate*
2. Pasir Logok Estate*
3. Pasir Panjang Estate#
4. Bukit Kelompok Estate*
5. Siang Estate
6. Sungai Papan Estate
7. REM Estate#
8. Basir Ismail Estate
9. Bukit Layang Estate

Estates in Kluang, Johor
10. Tereh Utara Estate
11. Tereh Selatan Estate
12. Selai Estate
13. Sindora Estate
14. Sungai Tawing Estate
15. Mutiara Estate
16. Rengam Estate

Estates in Segamat, Johor
17. Mungka Estate
18. Palong Estate
19. Labis Bahru Estate
20. Sepang Loi Estate

Estates in Kulai, Johor
21. Sedenak Estate
22. Kuala Kabong Estate*

Estate in Pahang
23. UMAC Estate

Notes:
* Rented
\# Partially rented

(ii) Production

We grow oil palms on our plantation estates and harvest FFB from these oil palms. For the Financial Years Under Review, our FFB production at our plantation estates are as follows:

	FYE 2020 (MT)	FYE 2021 (MT)	FYE 2022 (MT)	FYE 2023 (MT)
FFB produced	1,145,090	1,035,342	1,111,496	1,034,153

We continuously seek to optimise our production and yield across our oil palm plantation estates. These efforts include improving the quality of our planting materials, enhancing soil quality, and increasing the mechanisation of our processes. We adopt effective use of fertilisers and best operational and manufacturing practices to manage costs.

We adopt good agricultural practices and industry-accepted best practices for quality, health and safety and improved productivity in our operations. Some of the good agricultural practices we adopt include:

- best oil palm nursery practices;
- best replanting techniques and practices;
- 5-year labour optimisation blueprint;
- 5-year mechanisation blueprint;
- best milling practices;
- clonal planting materials; and
- tracking performance.

We adopt an integrated pest management strategy which combines natural pest management with restricted use of chemical pesticides. We utilise cattle on our plantations as a natural weed control method to improve soil fertility, recycle nutrients and reduce chemical usage. We also keep barn owls at our estates to help control the rodent population.

To mitigate the risk of crop loss, we pre-harvest our FFB at flood-prone areas and install wooden pegs around the frond stacking to prevent the frond stacking from being washed away by strong water currents during floods and to minimise the cost of restacking fronds and debris. We utilise a minimum ripeness standard where bunches are harvested when they have reached a minimum ripeness. For oil palms up to 8 years of age, we harvest once there are 5 loose fruits on the ground, while for oil palms aged 9 years and above, we harvest once there are 3 loose fruits on the ground. For oil palms in our flood-prone area, we implement flexi minimum ripeness standard of between 1 to 5 loose fruits per bunch to allow us to maximise the yield from each round of harvesting.

We also construct elephant trenches and elephant electrical fencing on our plantation estates in areas that are at high risk of potential elephant encroachment.

(iii) Oil palm age profile and replanting

Our oil palms have a favourable age profile that we actively manage through replanting and land acquisition or rental, which we believe positions us well to sustain and expand production.

Generally, it takes approximately 3 years for oil palms to produce fruits suitable for harvest. Young oil palms (immature and mature young oil palms) generally produce a lower yield of FFB as compared to matured oil palms (prime young, prime old and old oil palms). Oil palms reach their prime maturity and peak production period from 9 to 18 years old (prime young).

As at the LPD, approximately 54.3% of our oil palms are in their peak production age, which are our prime young oil palms or those oil palms that are 9 to 18 years old. As the majority of our oil palms are in their peak production years, we believe that the age profile of our oil palms would allow for an increase in the production of FFB, which we expect will in turn lead to an increase in CPO and PK production with minimal increase in costs.

As at the LPD, 71.2% of our plantation estates are located on flat or undulating terrain where planting, upkeep and maintenance and harvesting can be done more efficiently than on sub-optimal terrain.

The table below sets out the total oil palm planted area of our oil palm plantations as at the LPD:

Area planted	**3 years and below (immature) (Ha)**	**4 to 8 years (mature young) (Ha)**	**9 to 18 years (prime young) (Ha)**	**19 to 22 years (prime old) (Ha)**	**23 years and above (old) (Ha)**	**Total (Ha)**
Owned estates	3,816 *(8.5%)*	6,416 *(14.2%)*	23,545 *(52.1%)*	7,675 *(17.0%)*	3,723 *(8.2%)*	45,175 *(100.0%)*
Rented estates	-	1,595 *(14.9%)*	6,827 *(63.6%)*	1,020 *(9.5%)*	1,287 *(12.0%)*	10,729 *(100.0%)*
Total oil palm planted area	3,816 *(6.8%)*	8,011 *(14.3%)*	30,372 *(54.3%)*	8,695 *(15.6%)*	5,010 *(9.0%)*	55,904 *(100.0%)*

The table below sets out the weighted average age profile of our oil palm plantations for the Financial Years Under Review:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Weighted average oil palm age (years)	11.5	12.1	12.6	12.9
Total replanted area (Ha)	1,238	1,122	1,216	1,484

We have an annual replanting programme to maintain our palms at peak production age. Given the distribution of the age profile of our oil palms, we maintain a relatively low annual replanting target of up to 4% of our total oil palm planted area. Replanting is an essential activity for oil palm plantations as it ensures the sustainability of our plantation's productivity in the long term, whereby old trees that are above 25 years will be replaced with new and improved planting materials. Our replanting programme enables us to improve the quality of our oil palms through the use of seedlings specifically developed to increase yield based on the topographical profile of our estates. Our Plant Breeding Laboratory aims to produce elite planting materials to enhance our palm oil yield and supply seeds and seedlings for our annual replanting programme.

Since 1984, we have adopted a zero-burning replanting technique, whereby oil palms are felled, shredded, stacked and left in situ to decompose naturally. We also continued implementing measures to further our commitment to operating in an environmentally responsible manner. Please refer to Section 7.5.6 of this Prospectus for further details of our replanting programme.

7.4.1.2 Mill operations

We process FFB into CPO and PK at our POMs. As at the LPD, we operate 5 POMs, namely, the Pasir Panjang POM, Palong Cocoa POM, Tereh POM, Sedenak POM and Sindora POM. All of our POMs are RSPO-certified and MSPO-certified and have been accorded ISCC status. Save for our Sedenak POM, which produces Mass Balance RSPO-certified sustainable palm oil, all the rest of our POMS are Identity Preserved Mills that produce fully traceable certified sustainable palm oil.

(i) FFB processing

The majority of the FFB that we process is sourced from our plantation estates. We also purchase FFB from external suppliers in order to maximise the utilisation of our POMs, and these external FFB suppliers are primarily smallholder farmers or FFB traders who collect FFB from smallholders. We sell the CPO and PK produced at our POMs to external refineries and crushing plants.

The table below sets out the FFB processed by us for the Financial Years Under Review:

	FYE 2020 (MT)	**FYE 2021 (MT)**	**FYE 2022 (MT)**	**FYE 2023 (MT)**
Total FFB produced	1,145,090	1,035,342	1,111,496	1,034,153
Total FFB purchased	356,859	384,271	316,870	327,600
Total FFB processed	**1,501,949**	**1,419,613**	**1,428,366**	**1,361,753**

The performance of our oil palm plantations, including the FFB yield, oil extraction rate and kernel extraction rate, depends on various factors such as the quality of the oil palm seed, soil and climatic conditions, quality of management of the plantation and the timely harvesting, processing, and milling efficiency of FFB.

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The table below sets out certain key performance indicators of our FFB production and processing operations for the Financial Years Under Review:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Production and processing				
Total FFB produced (MT)	1,145,090	1,035,342	1,111,496	1,034,153
Total FFB purchased (MT)	356,859	384,271	316,870	327,600
Total FFB processed (MT)	1,501,949	1,419,613	1,428,366	1,361,753
CPO produced (MT)	316,066	295,747	289,488	270,900
PK produced (MT)	79,711	75,867	76,383	72,383
CPO delivered (MT)	316,840	295,887	287,147	270,347
PK delivered (MT)	79,717	75,892	75,348	72,675
Yield and extraction rates				
Yield per Ha (MT per Ha)	22.9	20.1	22.1	20.3
Palm product yield (MT per Ha)	6.0	5.3	5.7	5.1
Oil extraction rate (%)	21.0	20.8	20.3	19.9
Kernel extraction rate (%)	5.3	5.3	5.4	5.3
Average selling prices				
CPO price (RM per MT)	2,753	4,422	5,177	3,989
PK price (RM per MT)	1,625	2,887	3,218	2,223

Total FFB processed decreased by approximately 5.5% to 1,419,613 MT for the FYE 2021 (FYE 2020: 1,501,949 MT) primarily due to the decrease in total FFB produced of approximately 9.6% to 1,035,342 MT for the FYE 2021 (FYE 2020: 1,145,090 MT), which in turn was primarily due to labour shortages during this period. This was partially offset by an increase in total FFB purchased of approximately 7.7% to 384,271 MT for the FYE 2021 (FYE 2020: 356,859 MT).

Total FFB processed increased marginally by approximately 0.6% to 1,428,366 MT for the FYE 2022 (FYE 2021: 1,419,613 MT) primarily due to the increase in total FFB produced of approximately 7.4% to 1,111,496 MT for the FYE 2022 (FYE 2021: 1,035,342 MT), which in turn was primarily due to improved availability of foreign workers. This was partially offset by a decrease in the total FFB purchased of approximately 17.5% to 316,870 MT (FYE 2021: 384,271 MT).

Total FFB processed decreased by approximately 4.7% to 1,361,753 MT for the FYE 2023 (FYE 2022: 1,428,366 MT) primarily due to the decrease in total FFB produced of approximately 7.0% to 1,034,153 MT for the FYE 2023 (FYE 2022: 1,111,496 MT), which in turn was primarily due to adverse weather conditions and flooding on our plantation estates in March 2023. This was partially offset by an increase in the total FFB purchased of approximately 3.4% to 327,600 MT for the FYE 2023 (FYE 2022: 316,870 MT).

During the Financial Years Under Review, we observed a declining trend in CPO produced, CPO delivered, PK produced and PK delivered. The decrease in each metric was primarily due to labour shortages on oil palm plantations during the COVID-19 pandemic period as well as adverse weather conditions, namely extremely low rainfall during the 1st half of 2019, which in turn adversely impacted FFB production over the next 24 months. The prolonged dry conditions induced moisture stress in the oil palms, which affected plant vegetative growth and in turn, led to reduced production because a higher percentage of FFB was not suitable for processing. This resulted in declining FFB yields for the FYE 2021 as compared to the FYE 2020.

Our yield per Ha decreased to 20.1 MT per Ha for the FYE 2021 from 22.9 MT per Ha for the FYE 2020 primarily due to the adverse weather conditions described above. Notwithstanding this decrease, our yield per Ha was higher than the MPOB industry average of 17.73 MT per Ha and 16.24 MT per Ha in Johor and Peninsular Malaysia respectively for the FYE 2021, which we believe reflects our ability to optimally manage our operations due to our expertise and experience operating in the palm oil industry and in Johor State. We achieved our targeted palm product yield of 5.3 MT per Ha for the FYE 2021, and further increased this to 5.7 MT per Ha for the FYE 2022.

Our yield per Ha increased to 22.1 MT per Ha for the FYE 2022 from 20.1 MT per Ha for the FYE 2021 and was also higher than the MPOB industry average in the FYE 2022 of 15.5 MT per Ha due to improved availability of foreign workers as mentioned above. Our yield per Ha decreased slightly to 20.3 MT per Ha for the FYE 2023 from 22.1 MT per Ha for the FYE 2022 due to adverse weather conditions, including flooding, on our plantation estates in March 2023. Despite the slight decrease, our yield per Ha remained above the MPOB industry average of 15.8 MT per Ha for the FYE 2023.

During the Financial Years Under Review, our oil extraction rate decreased due to the same factors described above, namely labour shortages and adverse weather conditions. In particular, an insufficient number of plantation workers with the relevant expertise has been the main contributing factor to lower oil extraction rates. However, our oil extraction rate of 20.3% for the FYE 2022 remains higher than the MPOB industry average of 19.7% for Peninsular Malaysia and 19.9% for Malaysia as a whole for the FYE 2022.

During the FYE 2020, FYE 2021 and FYE 2022, we observed a steady increase in the average selling prices of CPO and PK primarily due to strong demand for high quality and RSPO-certified CPO and PK as well as a limited supply in the industry as labour shortages and adverse weather conditions affected producers across the industry. During the FYE 2023, our average selling prices of CPO and PK declined primarily due to the lifting of export ban by Indonesia in May 2023 and an increase in the use of other alternative vegetable oils such as rapeseed oil and sunflower oil, as well as general weakness in economic growth leading to lower demand from major importing markets such as China and the European Union.

We seek to maximise our productivity and efficiency by periodically investing in our production infrastructure:

(i) We upgraded the capacity of our Sindora POM from 45 MT per hour to 60 MT per hour, which was completed in January 2024.

(ii) We converted our Sindora POM from mass balance mill (where our certified sustainable palm oil is mixed with non-certified CPO and tracked throughout the supply chain) to Identity Preserved Mill (which allows tracing certified sustainable palm oil to their certified source) in 2022.

(iii) In 2020, we embarked on a 5-year programme to increase the capacity of our digesters in our 5 POMs to increase palm oil recovery in the production process. We also plan to replace aging boilers, upgrade our oil recovery systems, upgrade our steam turbines to multistage turbines, upgrade our sterilisers into vertical sterilisers, digitalise our mill operations and convert organic waste from our POMs. We review and assess our POMs for the necessary upgrades on an annual basis.

(ii) Renewable energy processing

As part of our commitment to sustainability, we have ventured into the renewable energy business as a renewable energy producer and biomass distributor. We have generated renewable energy using POME from our POMs since 2017, when our first biogas plant was commissioned in our Pasir Panjang POM.

The table below sets out the biogas utilisation and status of our 5 biogas POMs as at the LPD:

Biogas POM	Biogas utilisation	Status
Pasir Panjang	Power generation	Biogas plant became operational in July 2017 whilst biogas engines were operational since October 2019.
Palong Cocoa	Flaring	Operational since May 2020.
Tereh	Power generation	Operational since September 2021. Plant to be expanded for bio-CNG commercialisation by the end of June 2024.
Sindora	Power generation	Operational since January 2022. Plant to be expanded for bio-CNG commercialisation by the end of June 2024.
Sedenak	Biomethane	Commenced commercial operations since June 2023. However, operations at our biomethane plant were temporarily suspended in October 2023 after a fire incident, as disclosed in Section 7.18.4 of this Prospectus. Restoration works were completed in May 2024 and we have since resumed operations at the said plant.

We embrace circularity of resources at our estates and reuse almost all of the by-products generated through our milling operations, which consist primarily of mesocarp fibre, PK shell, EFB and POME.

Biogas is captured from the decomposition of organic waste generated in our CPO and PK production processes. Biogas is used for various purposes, including partially powering our 5 POMs, as an energy source for internal power and steam generation, as fuel for vehicles, injected back into the natural gas grid or sold to the market.

Through the generation of renewable energy, we are able to reduce our carbon footprint through lower electricity offtake from the national grid and lower methane emissions from our bio-waste.

As a biomass distributor, we sell the remainder of our PK shell and mesocarp fibre to third parties for use in renewable energy generation.

The table below sets out information regarding our renewable energy production for the Financial Years Under Review:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Biogas produced (m^3)	5,260,377	10,380,196	12,735,188	13,133,013
PK shell produced (MT)	95,035	88,919	91,563	87,411
PK shell sold (MT)	20,338	19,618	14,280	13,700
Mesocarp fibre produced (MT)	202,521	190,502	195,070	185,466
Mesocarp fibre sold (MT)	13,006	10,590	10,893	17,762

7.4.2 Trading and support services

We are also involved in plantation supporting services, such as trading of agricultural machineries and parts, and related services. We provide a 6-month warranty for our agricultural machineries and parts by replacing or repairing those products with manufacturing defect. We also provide training and advisory services relating to occupational safety and health.

7.4.2.1 Trading of agricultural machinery and parts

We sell various agricultural machineries and parts through our subsidiary, JPG Jenterra, such as 3-wheeler multi-purpose farm vehicles (developed in-house), tractors, chains, poles, gearbox, and other related parts manufactured by established manufacturers.

7.4.2.2 Trading of oil palm seedlings and related services

Through our subsidiary, JPG Planterra, we sell oil palm seedlings, ornamental plants and fertilisers under our brand 'BIONIK'. We also provide landscaping services such as consultancy, design, hardscape, softscape, indoor planting and maintenance for golf courses and private houses.

7.4.2.3 Occupational safety and health training, and advisory services

We focus on human resource development, motivation and quality-related fieldwork. Through our subsidiary, JPG Terrasolutions, we:

(i) supply of safety products and provide advisory services in occupational health and safety management systems, fire safety and the ISO quality management system;

(ii) provide noise monitoring, gas testing and fire safety services;

(iii) organise on-site medical officer visits and medical screenings for foreign workers on behalf of the Foreign Workers Medical Examination Monitoring Agency; and

(iv) provide sanitation and disinfection services.

7.4.2.4 Renewable energy

Please refer to Section 7.4.1.2(ii) of this Prospectus for further information on our renewable energy business.

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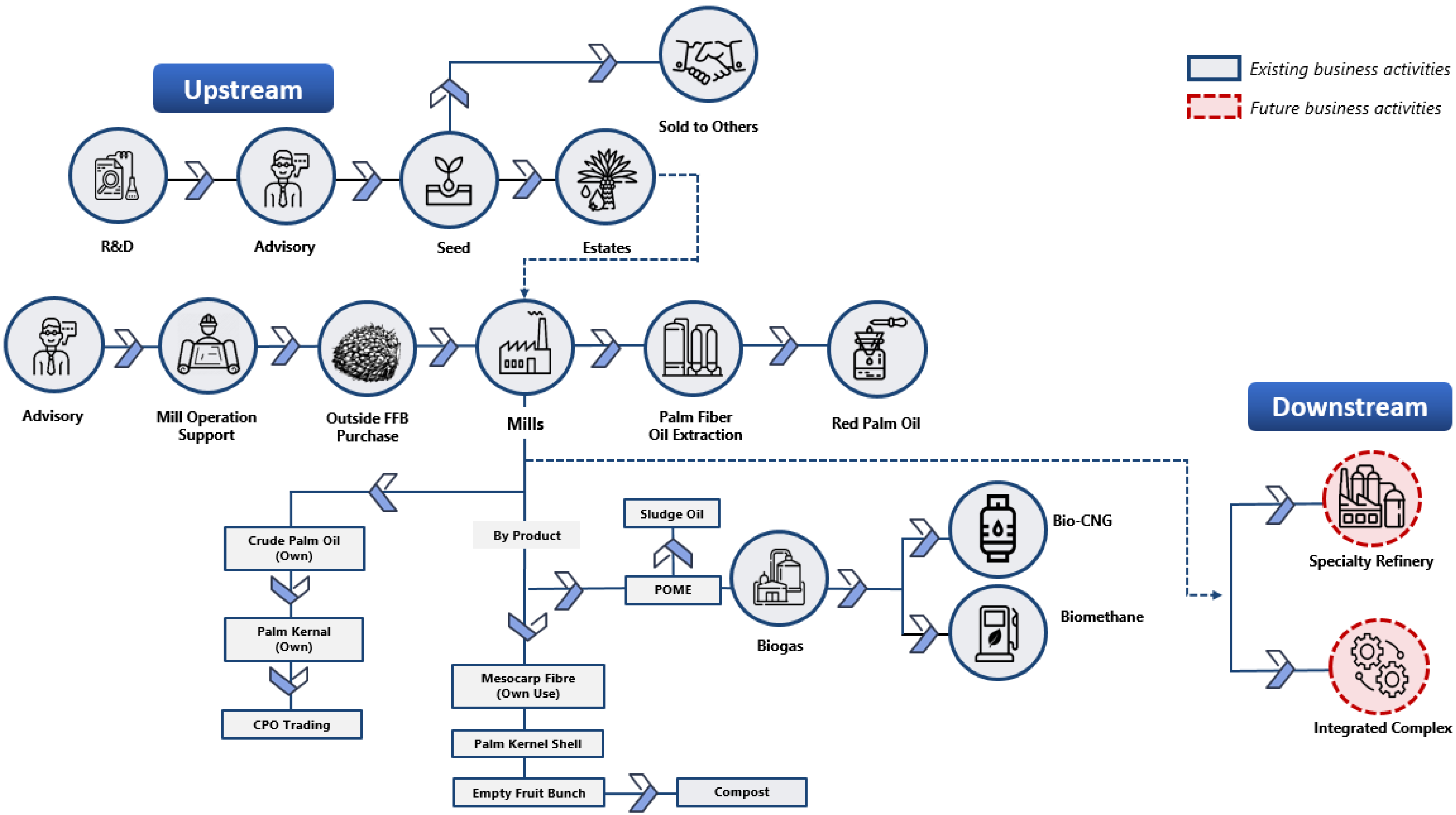
7.5 BUSINESS PROCESS FLOW

The diagram below depicts our current value chain in the upstream oil palm operations, and our planned venture into downstream plantation:



7.5.1 Seed production

Germinated seeds are produced by our Plant Breeding Laboratory. The germinated seeds take 6 years to be produced from the planted seeds at the seed garden of our laboratory. The production of high-quality seeds requires stringent procedures, such as selecting the highest quality mother palm and obtaining approval from SIRIM. We supply our seeds to our plantation estates and external estates.

7.5.2 Nursery and planting

Once the seeds have been germinated, they are sowed and raised in nurseries, which are located at our strategic operating units. Culling is the process of segregating the seed planting from the abnormal seedlings (such as juvenile, acute-erect and undersized) and is performed as early as 3 months from pre-nursery stage up to 12 months at main nursery. The seedling is grown for a period of 12 to 14 months at the nursery before being planted in the fields.

We plant young oil palms about 30 feet apart, in equilateral triangle patterns that result in planting density of about 136 oil palms per Ha. Generally, oil palms start producing fruits and are ready for harvesting 28 months after planting.

7.5.3 Upkeep

Proper plantation management is vital to ensuring optimal FFB yield. During the growing period, our workers perform upkeeping activities such as weeding, sanitation, pest and disease management, water management and soil fertilisation. We plant leguminous cover crop as part of our soil conservation practice, especially when we are replanting terraced area on sloping or hilly terrain. Leguminous cover crop is used to improve soil quality and control erosion, maintain moisture and increase soil fertility.

Our integrated pest management such as barn owls and beneficial plants to manage pests, promotes the use of self-sustaining and allows us to minimise dependency to chemical solutions. If the method of introducing a natural predator is not sufficient to control the pests, environmentally friendly pesticides are used. We reduce our chemical dependency by integrating cattle grazing in targeted areas. Our cattle help us manage various species of undergrowth without the use of chemical sprays or mechanical slashing. Pesticide and herbicide reduction is environmentally friendly and helps us reduce our total weeding costs through decreased use of chemicals and reduced need for labour.

Abnormal oil palms and runts are typically culled at the rate of 25% of the total oil palms planted in an annual replanting cycle. There are 6 culling stages from pre-nursery until prior to field planting. We also perform ablation or castration, which is the practice of removing young male and female inflorescences during the immature period to divert nutrients from production of uneconomic fruit bunches into vegetative growth, to improve palm vigour and its root system.

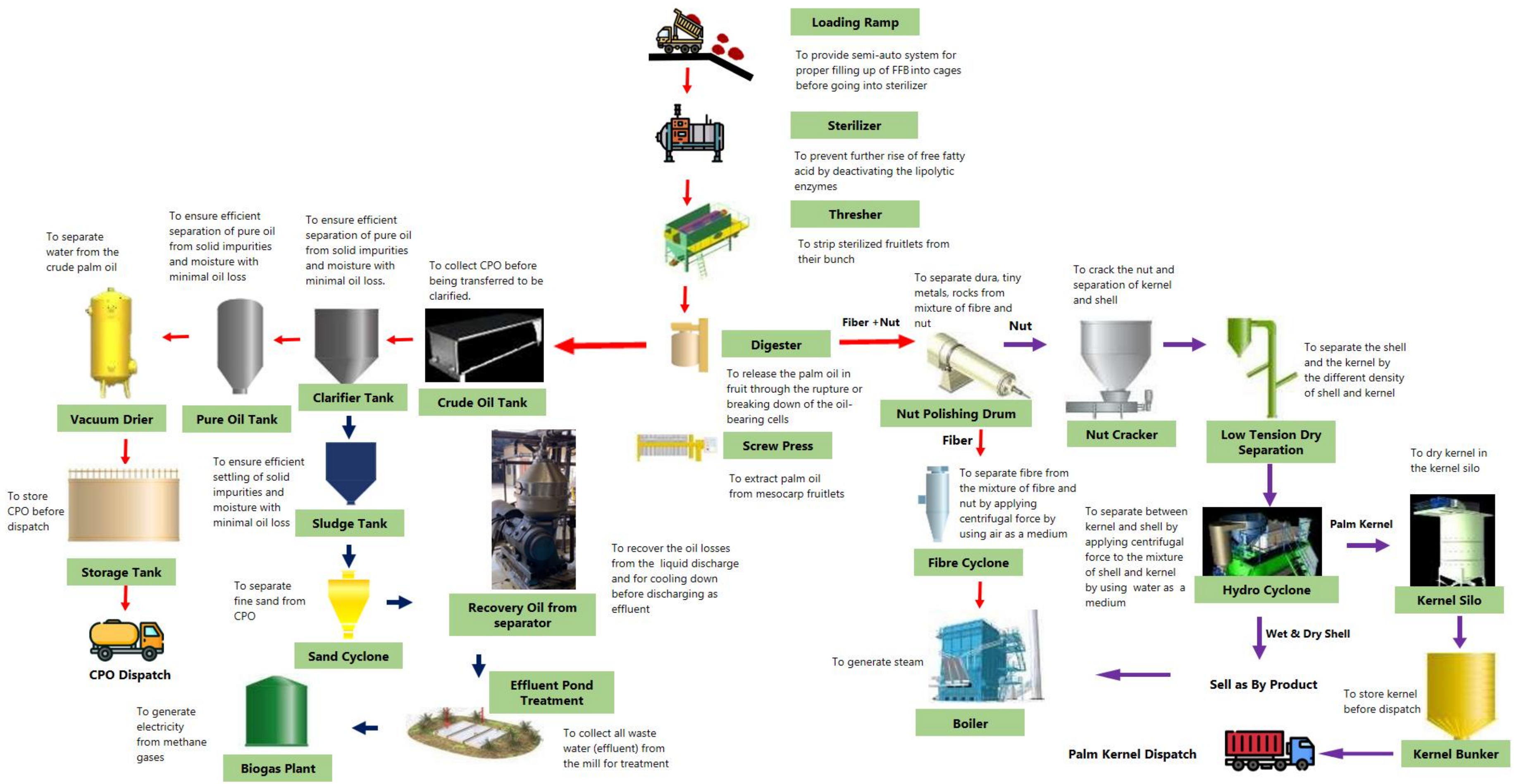
7.5.4 Harvesting and transportation

Our oil palms are deemed mature at the beginning of the 4th year and ready for commercial harvesting. The maturity date for fields is declared once the new planting or replanting areas reach 36 months from the date of initial planting. We harvest FFB based on a minimum ripeness standard, further details of which are set out in Section 7.4.1.1(ii) of this Prospectus.

Our general field workers handle the harvesting and transportation of the FFB. Additionally, we engage third-party service providers for harvesting and transportation services to supplement our operations.

FFB are collected manually, and transported from the plantation estates using wheelbarrows, mechanical buffalo, mini tractor scissor lifts or grabbers, depending on the terrain. Thereafter, our harvested FFB and loose fruits are sent by tractors and trucks to the POMs which are located near our plantations. In general, we process fruits within 24 hours after harvesting to minimise the build-up of free fatty acids that can potentially reduce the quality of CPO produced. We comply with the quality standards specification set by the MPOB and Palm Oil Refiners Association of Malaysia which specifies that free fatty acids content in CPO must not exceed 5%. The proximity of our POMs to oil palm estates is crucial to maintain the quality of our CPO and to optimise our transportation cost.

7.5.5 FFB processing



Once the harvested FFB and loose fruits (either from our plantation estates or purchased from external suppliers) arrive at our POM, they are weighed and graded based on their quality such as, ripe bunches, overripe bunches, unripe bunches, long stalk, or contamination from debris. Such grading system allows us to advise the corresponding plantation estate to take actions to improve crop quality or to evaluate our external suppliers and procurement process.

The FFB are sterilised under steam pressure to halt fatty acid production and ease separation of the fruits from the stalk. The separation of the fruit from the FFB is carried out in the next stage of the palm oil extraction process known as threshing, where they are stripped and threshed in a revolving slated steel drum to separate the fruit from bunch stalks.

The fruits are then conveyed to the fruit digester and steam is injected into the digester to release the oil in the fruit by rupturing oil-bearing cells in the mesocarp. Mechanical arms are used to loosen the mesocarp from the nuts of the fruits.

The fibre nuts mash is placed in a perforated press cage and pressed. The CPO and moisture from the fibre nuts mash are squeezed out, leaving a compacted mass known as the press cake. CPO is then purified, dried and sent to refineries for further processing.

The loosened pressed cake will undergo a process known as depericarping to separate the nuts from the fibre. The loosened pressed cake is then conveyed to kernel recovery processing machinery for kernel and PK shell separation. PK is then delivered to kernel crushing plants for PK oil extraction.

7.5.6 Replanting

Replanting of oil palm is performed for stable productivity as the typical economic life span of an oil palm is approximately 25 years. Initial preparation and planning include considerations on the scope of work and availability of appropriate and adequate number of machines and equipment. The replanting process entails ground clearing (including the removal of old trees and the processing of the material to enhance the organic balance of the estates), terracing, replanting, and planting of ground cover. Fertilising is also undertaken to promote crop establishment. Depending upon the location and size of the oil palm plantation estate, the topographical conditions and the productivity of the areas, we replant the oil palm plantation estate in stages and not the whole estate at once.

We consider the timing of replanting and seek to have our replanting activities coincide with favourable weather to minimise soil disturbance during planting of palms. Budgetary considerations and the history of the area in terms of diseases and pests are also taken into consideration in preparing for replanting. Diseased palms are felled ahead of the replanting operations. The palm bole and the adjoining root mass are removed and exposed to sunlight for 1 month to prevent future infestation of Ganoderma, a basal stem rot disease that can kill oil palms. Please refer to Section 7.4.1.1(iii) of this Prospectus for details of our annual replanting programme.

With respect to the replanted areas, in addition to the implementation of optimal agronomic and agricultural practices, we apply the following initiatives to increase their yield potential:

(i) we utilise high yielding oil palm planting materials, including planting materials that we have developed through our research and development initiatives such as KT clonal and improved DxP seedlings;

(ii) we seek to replant using high-quality soils and slow release fertilisers;

(iii) culling poor planting materials; and

(iv) using efficient irrigation systems and vigilant pest control. To help ensure stable FFB production and a more balanced tree age profile, we intend to periodically review our replanting schedule to ensure that the appropriate areas are replanted.

7.6 SEASONALITY

We harvest FFB from our plantation estates throughout the year. FFB production tends to increase in the 2nd half of the year as a result of rainfall patterns in Malaysia. This typically leads to greater production of CPO and PK during the 2nd half of the year as we process FFB promptly following its harvest. As a result, we are generally able to generate higher CPO and PK sales volume in the 2nd half of the year and higher revenue, assuming consistent CPO and PK selling prices.

While FFB production consistently peaks in the 2nd half of the year, the extent of the increase in production compared to production in the 1st half of the year does tend to fluctuate, largely due to fluctuations in weather conditions that affect our oil palms in the months prior to the harvest. We generally expect to observe the impact of weather conditions on our FFB yields beginning approximately 5 to 6 months after the weather conditions occur.

There have been 3 CPO price rallies since 1990 caused by strong El Niño weather events in 1995, 2009 and 2019 that reduced FFB supply and, in turn, CPO production.

We experienced extremely low rainfall during the 1st half of 2019, which adversely impacted FFB production over the next 24 months. The prolonged dry conditions induced moisture stress in the oil palms, which affected plant vegetative growth and in turn, led to reduced production because a higher percentage of FFB was not suitable for processing. This resulted in declining FFB yield during the 1st quarter of 2021 once those palms matured. We also had dry weather conditions during 2021, which led to less FFB harvests especially in young-mature fields. This resulted in lower production of FFB for the year. In contrast, we experienced favourable weather conditions in the first 3 quarters of 2022, which is expected to improve FFB yields in future harvests.

7.7 SOURCES AND AVAILABILITY OF RAW MATERIALS AND OTHER SERVICES

We source fertilisers, chemicals, fuel or lubricants, consumables, and spare parts to support our operations. Chemicals consist primarily of herbicides and pesticides that we use as a last resort to manage pests and proliferation of weeds in our plantations, in addition to eco-friendly alternatives, namely the integration of livestock into our plantation operations to naturally control weed growth.

Our raw materials are planting materials such as oil palm seeds and tissue culture ramets and FFBs. We source our planting materials from our own research laboratories. The key raw materials required for our operations include FFB and fertilisers which collectively accounted for 88.9%, 87.6%, 86.7% and 81.7% of our total purchases for the Financial Years Under Review.

The majority of the FFB processed by our POMs are sourced from our plantation estates. In order to maximise the utilisation of our POMs, we also purchase FFB from external suppliers for milling to increase the volume of FFBs processed by our POMs and for greater cost efficiencies. These external FFB suppliers are primarily smallholder farmers or FFB traders who collect FFB from smallholders. All of our POMs are located on our plantation estates and in areas where there are many other plantation estates in close proximity. Some of these plantation estates do not have their own POMs and are in the business of selling FFBs, hence there is generally regularly available supply of FFBs for our POMs when needed to supplement FFB that we produce from our owned and rented plantation estates. While planting materials generally have stable prices, prices of FFB and fertilisers fluctuate in line with CPO prices. Nevertheless, it should be noted that any changes in prices of FFBs are reflected in the prices of our palm oil products, and thus, have minimal impact on our profit margin.

The table below sets out the volume of FFB that we processed which were sourced internally and externally during the Financial Years Under Review:

	FYE 2020 (MT)	FYE 2021 (MT)	FYE 2022 (MT)	FYE 2023 (MT)
FFB produced from our owned and rented plantation estates	1,145,090	1,035,342	1,111,496	1,034,153
FFB purchased from third-party FFB suppliers	356,859	384,271	316,870	327,600
Total FFB processed by our POMs	**1,501,949**	**1,419,613**	**1,428,366**	**1,361,753**
FFB sold to third parties[(1)]	13,203	4,478	-	-

Note:

(1) We have phased out FFB sales to third parties since the FYE 2022 as we use all of the FFB from our oil palms for our own POMs.

The following are the major types of input materials that we purchased for our business operations during the Financial Years Under Review:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
FFB	265,561	69.2	366,616	72.3	341,315	63.5	251,694	60.6
Fertilisers	75,674	19.7	77,376	15.2	124,437	23.1	87,960	21.2
Consumables and spare parts	21,269	5.5	18,613	3.7	37,972	7.1	56,114	13.5
Fuel or lubricants	12,955	3.4	18,950	3.7	25,754	4.8	15,205	3.6
Chemicals	8,485	2.2	25,762	5.1	7,846	1.5	4,516	1.1
Total	**383,944**	**100.0**	**507,317**	**100.0**	**537,324**	**100.0**	**415,489**	**100.0**

These materials are generally readily available in the market from local suppliers throughout Malaysia.

Our spare parts are procured to replace parts for our machineries and equipment, while contractor services are services obtained for certain major maintenance and refurbishment of these machineries and equipment. Spare parts and contractor services are generally procured from our suppliers for machineries and equipment. There are many suppliers in Malaysia supporting the large oil palm industry in the country and spare parts and contractor services are a relatively stable cost variable.

Our consumables largely comprise of supplies for crop management and for operating our machinery and equipment, which are primarily fertilisers and diesel fuel. With a strong domestic oil and gas industry, there is no shortage of fertiliser and diesel suppliers in Malaysia. The prices of fertilisers and diesel fluctuate based on market conditions and are susceptible to periods of volatility due to rapid changes in supply, demand or simply market sentiment. Fertiliser prices, particularly nitrogenous and potash based fertilisers, generally rise and fall in line with crude oil prices by virtue of its key raw material being a by-product of crude oil and the use of crude oil in its production.

During the FYE 2022, we experienced volatility in the price of fertilisers when prices increased significantly mainly due to the sanctions imposed by various governments around the world in response to the war between Ukraine and Russia, which had the practical effect of reducing the number of fertiliser companies that were supplying to the international fertiliser market. In addition, higher production cost as a result of higher cost of natural gas and higher energy prices, as well as export controls imposed by countries due to the limited supply in the market, also contributed to the increase in the price of fertilisers.

The prices and availability of raw materials may be affected by factors such as changes in their global supply and demand, state of the global economy, inflationary pressure, environmental regulations, tariffs, natural disasters, forest fires, weather conditions and labour shortages or unrest.

Any significant fluctuation in the prices and availability of such materials may significantly increase our cost of sales, which may adversely affect our business, financial condition, results of operations and prospects. For the Financial Years Under Review, we were not dependent on any of our suppliers and the raw materials, including FFB, fertilisers and diesel, required for our business operations were readily available in the market, and our operations were not materially affected by any fluctuation in the prices of raw materials.

Additionally, we engage third-party service providers for harvesting, loading, transporting and replanting services to complement and optimise our business operations. We source such services from different third-party service providers and thus, we are not reliant on any single third-party service providers for the sourcing of these services.

7.8 SALES AND MARKETING

We sell our products exclusively through business-to-business sales to customers in Malaysia. To promote our products, we rely primarily on our existing customer relationships, track record and reputation through association with our Promoters, namely JCorp and Kulim, both of whom are well-known among our customers and in our industry. This enables us to keep our sales and marketing costs low.

We believe that our palm oil products are known in the industry and among our customers as high quality and sustainably conscious products. We position ourselves as a proven and trusted partner that is capable of meeting our customers' stringent standard for the quality of our products and consistency of our operations. We also offer after-sales services such as traceability reports that provide greater information for our customers across their supply chains and documentation to confirm our RSPO certification. To this extent, our sales and marketing efforts are supported by our RSPO certification team that tracks and maintains our various certifications.

For the Financial Years Under Review, we achieved a higher average CPO selling prices than the national MPOB average selling prices, as set out in Section 7.2.1(iii) of this Prospectus. We were generally able to market our products at a premium for our CPO due to our certifications, traceability, and high-quality products.

7.9 MATERIAL DEPENDENCY ON CONTRACTS

We are materially dependent on the Tenancy Agreement which has been renewed via the Renewal Tenancy Agreement to ensure the continuity of the oil palm plantation business and activities on the Malay Reserved Estates, the salient terms of which are set out below:

Parties	:	JCorp (as landlord) and our Company (as tenant)
Description	:	Rental of the Malay Reserved Estates by us from JCorp
Tenure	:	3 years, commencing from 1 July 2023 to 30 June 2026
Total rental	:	RM19,219,523

Permitted use under the Tenancy Agreement	:	The Malay Reserved Estates shall only be used for plantation of palm oil, operation of palm oil and palm products processing facilities, renewable energy plant, animal feed mill, and such other facilities or plants to be constructed on the Malay Reserved Estates* **Note:** * Please refer to Section 4.5 of this Prospectus for further details of the intended construction of the integrated sustainable palm oil complex at Pasir Logok Estate using the proceeds to be raised from our IPO.
Conditions of renewal	:	(i) If our Company shall be desirous of renewing the tenancy of the Malay Reserved Estates upon the expiration of the existing tenancy term on 30 June 2026 and upon expiry of any renewed terms thereafter ("**Extended Term**"), our Company shall, not more than 6 months and not less than 3 months before the date of expiration of the Extended Term, give to JCorp notice in writing of such desire to renew. (ii) If the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate continues to be in operation, and there shall not be at the time of our Company's notice pursuant to paragraph (i) above any existing breach or non-observance of any of the covenants, provisions and stipulations on the part of our Company contained in the Tenancy Agreement (including the up to date payment by our Company of all accrued total rental payable under the Tenancy Agreement), JCorp will, at the cost and expense of our Company, let the Malay Reserved Estates to our Company for a further fixed period of 3 years, commencing from the date next following the date of expiration of the Extended Term at a revised total rental to be determined after taking into consideration the valuation provided by an independent valuer jointly appointed by JCorp and our Company, subject to a variation of not more than 10% of the prevailing total rental for the relevant tenancy period.
Termination event	:	Unless otherwise terminated upon the occurrence of any one or more of the following events (each, an "**Event of Default**" and collectively, the "**Events of Default**"), wherein the non-defaulting party shall be entitled to terminate the Tenancy Agreement by providing a written notice of termination to the defaulting party, the Tenancy Agreement shall continuously subsist during the Tenure: (i) our Company being wound-up or voluntarily liquidated or otherwise (except for the purpose of amalgamation or reconstruction); (ii) JCorp is dissolved pursuant to the Johor Corporation Enactment 1968 (as amended vide the Enactment No. 5, 1995) or, where applicable, the Act; or (iii) either party to the Tenancy Agreement fails or neglects to remedy the breach of any of their covenants contained in the Tenancy Agreement and such default continues after 30 days' notice has been given by the other party.

Consequences of termination : If a notice terminating the Tenancy Agreement is given by JCorp pursuant to an Event of Default committed by us:

(i) JCorp shall be entitled to (a) claim for the remaining balance of the total rent for the tenancy, or (b) forfeit the balance of the total rent for the tenancy paid in advance (as the case may be) for the remaining tenancy period during the term of the tenancy as liquidated damages;

(ii) we shall forthwith peaceably and quietly yield up and deliver to JCorp or its agents vacant possession of the Malay Reserved Estates, together with all the fixtures and all additions[#] therein, in good and tenantable repair and clean condition (fair wear and tear excepted); and

(iii) JCorp may, at any time, re-enter upon the Malay Reserved Estates or any part thereof in the name of the whole,

and thereafter, the tenancy shall absolutely cease and determine, and neither party to the Tenancy Agreement shall have any further claim against the other on any matter in respect, or arising out of the Tenancy Agreement (save and except for any antecedent breaches) and JCorp shall be at liberty to re-let or deal with the Malay Reserved Estates as it shall see fit.

Note:

[#] The ownership and operations of the integrated sustainable palm oil complex will not be transferred to JCorp following the termination or expiration of the tenancy. Pursuant to the terms of the Tenancy Agreement, our Company shall return the Malay Reserved Estates to JCorp together with fixtures belonging to JCorp which were rented to our Company at the commencement of the tenancy under the Tenancy Agreement. This does not include the integrated sustainable palm oil complex to be constructed thereon and any structure constructed or to be constructed by our Group as we remain as the absolute owner of the integrated sustainable palm oil complex and other buildings/structures constructed by us on the Malay Reserved Estates.

If a notice terminating the Tenancy Agreement is given by us pursuant to an Event of Default committed by JCorp or JCorp prematurely terminates the tenancy or revokes the right of use of and/or access to the Malay Reserved Estates granted pursuant to the Tenancy Agreement:

(i) JCorp shall, if such Event of Default or breach occurs at any time during the term of the tenancy, pay to us the NBV of the assets (including oil palm plantations and palm oil and palm products processing facilities) developed or constructed on the Malay Reserved Estates and the NBV of the planting and/or replanting cost^ of the palm oil plantation as at the date of termination as agreed liquidated damages to us. The demand or receipt of such liquidated damages shall be without prejudice to any rights and remedies that may be available to us and shall be made good by JCorp and constitute a debt due from JCorp to us to be paid forthwith on demand by us;

Consequences of termination (cont'd)	:	(ii) we shall thereafter peaceably and quietly yield up and deliver to JCorp or its agents vacant possession of the Malay Reserved Estates, together with all the fixtures and all additions therein, in good and tenantable repair and clean condition (fair wear and tear excepted); and (iii) JCorp may, at any time, re-enter upon the Malay Reserved Estates or any part thereof in the name of the whole, and thereafter, the tenancy shall absolutely cease and determine and neither party to the Tenancy Agreement shall have any further claim against the other on any matter in respect, or arising out of the Tenancy Agreement (save and except for any antecedent breaches) and JCorp shall be at liberty to re-let or deal with the Malay Reserved Estates as it shall see fit. If our Company, in termination of the tenancy, fails to yield and vacate the Malay Reserved Estates and in addition to the rights of JCorp provided under the Tenancy Agreement, we shall pay to JCorp as agreed liquidated damages a sum equivalent to 2 times the total rental payable by us to JCorp, pro-rated to a daily basis for each day and/or JCorp shall be entitled to evict us and/or take proceedings to enforce the other rights of JCorp under the Tenancy Agreement. **Note:** ^ The planting and replanting costs incurred on the Malay Reserved Estates are fully borne by us.
Indemnity for damages	:	(i) We shall notify JCorp of any legal action taken against us by any third party by virtue of us exercising its business at the Malay Reserved Estates; (ii) we shall be responsible for and indemnify JCorp against any damage howsoever caused or occasioned to the Malay Reserved Estates or any other part or any adjacent or neighbouring premises or any person or effects caused by or arising out of any act, default or negligence of our Company or our agents or our employees; and (iii) we shall indemnify JCorp against all claims, proceedings, costs and expenses arising from or in connection with our tenancy and business which include among others, any injury to persons or properties.

For information purposes, the Malay Reservations Enactment 1936 prohibits any transfer, charge, lease or disposal of the Malay Reserved Estates, or any part thereto, to a non-Malay. In calculating the terms of a lease and tenancy, the National Land Code provides that if the term is for a fixed period, no account shall be taken of the fact that it is capable of renewal in pursuance of an option. In other words, the renewal term and the option to renew contained in the Tenancy Agreement should not be taken into consideration in ascertaining the term of the rental of the Malay Reserved Estates, as the rental of the Malay Reserved Estates is for a fixed principal term of 3 years and any renewal of the term of the tenancy of the Malay Reserved Estates is subject to our exercise of the renewal right and compliance with the terms of the Tenancy Agreement. As such, our legal advisers as to Malaysian law opined that the rental of the Malay Reserved Estates by us from JCorp via the Tenancy Agreement and the Renewal Tenancy Agreement, which is for a duration not exceeding 3 years each, constitutes a tenancy and is akin to a right to use the Malay Reserved Estates and does not contravene or constitute a circumvention of the provisions of the Malay Reservations Enactment 1936. Further, the Johor State Government has also indicated that it has no objection to our consecutive renewal of the tenancy arrangement with JCorp in respect of the Malay Reserved Estates to ensure the success of our collaboration with Fuji Oil Asia Pte Ltd for the integrated sustainable palm oil complex.

If the Tenancy Agreement is not extended or renewed upon its expiry, or terminated, our business and profitability may be materially and adversely affected. In this connection, JCorp and Kulim have both, vide a letter of confirmation dated 13 September 2023, acknowledged that Kulim intends to purchase the Malay Reserved Estates from JCorp. Upon completion of the purchase of the Malay Reserved Estates by Kulim, JCorp shall assign and novate all of its rights, interests, liabilities and obligations under the Tenancy Agreement to Kulim, and Kulim shall accept all of such rights, interests, liabilities and obligations, and renew the Tenancy Agreement for further consecutive periods to ensure the continuity of our oil palm plantation business carried out on the Malay Reserved Estates, beyond the expiry of the extended tenancy period.

In addition, pursuant to the terms of the Second Supplemental Agreement, we are entitled to renew the tenancy of the Malay Reserved Estates upon expiration of the existing tenancy term on 30 June 2026, so long as the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate continues to be in operation and there is no existing breach or non-observance of any of the covenants and provisions on our part contained in the Tenancy Agreement.

Our entitlement to renew the tenancy of the Malay Reserved Estates under the Tenancy Agreement and the covenants stipulated in the letter of confirmation constitutes a legally binding contract between our Promoters and our Company, and we may enforce such legal rights as may be available to us under the law.

7.10 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, we are not materially dependent on any intellectual property rights including patents and copyrights.

7.11 RESEARCH AND DEVELOPMENT

Research and development form an important component of our business, as we seek to continuously improve the quality of our plant materials for optimal yield.

To support our plantation businesses and renewable energy ventures, we invest in research and development carried out at our Johor Plantations Agritech Centre located in Kota Tinggi, Johor. Johor Plantations Agritech Centre is a centre of excellence that hosts the following operating units which are supported by 131 research and development staffs as at the LPD:

(i) Tissue Culture Laboratory

Our Tissue Culture Laboratory was established in 2006 in our REM Estate. We managed to produce our first in-house clonal materials to be planted at our Sedenak Estate in 2008. We are an MPOB-licensed clone producer and were awarded with the Malaysian Standard (MS 2099:2008) on oil palm clones for commercial planting specification for ortet selection.

Through progressive research, we aim to develop clonal oil palm planting material that will help us achieve a higher oil extraction rate and enhance our yield per hectare. Our Tissue Culture Laboratory selects and supplies elite seeds and ramets, certifies new mother palms and seeks to produce high-quality, high-yield clonal tissue culture ramets. Currently, the plant breeding and tissue culturist team provides SIRIM-certified seed-derived ortets of different genetic backgrounds to produce commercial clonal planting materials.

This effort is expected to result in an increase in ramet production by 2026, gradually reaching the production of 401,831 ramets by 2029. We adopt the clonal material in our plantation estates through our annual replanting programme.

(ii) Plant Breeding Laboratory

Our Plant Breeding Laboratory conducts research and development activities to develop high-performing germinated seeds for use on our estates and for selling to external estates. The production of high-quality seeds requires stringent procedures, which include selecting the highest quality mother and father palm and obtaining approval from SIRIM. As at the LPD, we have successfully produced 369 mother palms and 6 palms certified by SIRIM.

In addition to our in-house research and development work, we also collaborate with MPOB on various oil palm clones. We jointly developed Clone P325 with MPOB after 7 years of research, which was officially recognised as an "elite clone" (a planting material of choice) producing an average FFB of approximately 30 MT per Ha a year, an oil extraction rate of 28.1%, and CPO of 8.5 MT per Ha a year as compared to our standard DxP oil palm with an estimated oil extraction rate of 23.1%, and CPO of 6.6 MT per Ha a year.

(iii) Central Analytical Laboratory

Our Central Analytical Laboratory conducts various chemical and physical tests, focusing mainly on agricultural samples such as soil, fertilisers, foliar, effluent, water, palm oil and latex. It was accredited with ISO/IEC 17025:2017 certification and was awarded with Institut Kimia Malaysia Laboratory Excellence Award 2023 from the Malaysian Institute of Chemistry for its commitment in achieving excellence in providing quality and competent laboratory services. Please refer to Section 6.5 of this Prospectus for further details of our accreditation and awards.

(iv) Agronomy Advisory

Our Agronomy Advisory conducts agronomy research and plant breeding, and operates a microbiology lab. It provides analysis and recommendations on best practices, identifies sites for new agronomy trials, and recommends measures to overcome pest and disease outbreaks.

Our research and development expenditure for the Financial Years Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Research and development expenditure (RM'000)	1,639	1,644	1,745	2,440
Percentage of revenue	0.2%	0.1%	0.1%	0.2%

7.12 TECHNOLOGY USED

7.12.1 Mechanisation for harvesting and field upkeep

We have mechanised an increasing number of processes in our plantation estates to improve operational efficiencies. We introduced mini tractor, scissor lifts or grabbers as new methods of in-field evacuation for areas suitable for mini tractors, to replace the mechanical buffaloes. We implemented the use of bin system to replace the manual loading of FFB for speedy evacuation to the POMs, and the use of smart manure spreaders for precision manuring.

For the Financial Years Under Review, our investment in mechanisation amounted to approximately RM0.1 million, RM1.6 million, RM5.4 million and RM4.1 million respectively. Through mechanisation, we aim to improve our productivity and yield, lower our production cost and reduce our dependency on manual labour. We believe that continued mechanisation of our operations and investments in equipment and maintenance presents an opportunity for us to control our costs related to manuring, harvesting and labour, and contribute to stronger profitability as we implement our business growth strategy.

7.12.2 Digitalisation

We adopt digitalisation in our workflow and operations to stay competitive. With platforms such as Power Business Intelligence, we leverage data and analytics to improve the way we run our plantation estates, POMs, marketing, and the purchase of external crop. In order to achieve better supervision and control, we introduced the Supervisory Control and Data Acquisition System for the digester control system at our Pasir Panjang POM during the 3rd quarter of 2022.

We have developed the K-Plant mobile application, which is deployed in our operations, to support real-time monitoring and reporting of various processes including sundry payments, check-rolls, nursery operations and harvesting. Within our estates, this mobile application is being used to replace manual in-field and mill tasks to provide a shared information database for plantation operations management.

We also introduced K-For, a system to store relevant data of our foreign workers for better efficiency in managing our workers. In 2023, we launched a pilot project to update our Enterprise Resource Planning System to SAP S/4HANA Cloud and SAP Ariba for enhanced management, operations, administration, and accounting.

For our POMs, we adopt digital solutions to increase operational efficiency including digital weighing, automated control system, computerised maintenance management system, Fourier-transform infrared spectroscopy for quality inspection, digital draft control system for smoke emission, automated sludge dewatering system for effluent treatment plant, digital sensor for ammonia level detection at water course and real-time update computerised emission system.

7.13 QUALITY ASSURANCE PROCEDURES

7.13.1 Quality policy

We strive to achieve the highest quality of our palm products. We are guided by our quality policy, which articulates our expectations of all our plantation estates and POMs in line with the standards imposed or expected by regulators, stakeholders, and our customers.

Our estates-related quality policy includes the following objectives:

(i) produce ripe FFB to achieve maximum extraction rate;

(ii) prioritise mechanisation to reduce dependency on labour;

(iii) continuously train workers to achieve maximum working potential; and

(iv) promote healthy and safe working conditions.

Our POM-related quality policy includes the following objectives:

(i) implement a continuous improvement programme to streamline operations to achieve the maximum oil extraction rate;

(ii) communicate the policy to all employees to set clear expectations and create consistency across the organisation;

(iii) evaluate the effectiveness of the quality policy on a regular basis to establish corporate objectives and values in order to be appropriated to purpose and context within the organisation;

(iv) fulfil the requirements of customers; and

(v) recycle mill by-products for energy savings, resource conservation and reduce environmental pollution.

7.13.2 Quality control

We practise quality control at the earliest stages of our production. At the research and development stage, we focus on developing high-yielding palm species. At the harvesting phase, we adopt a grading method to select FFB based on ripeness so as to achieve optimal results when processing CPO. Grading criteria for FFB ripeness according to the colour, size, stalk length and the characteristic ratios of harvested FFB are shared with all our plantation estates, POMs and corporate offices.

We process FFB at our POMs within 24 hours of harvesting to minimise the build-up of free fatty acids that can potentially reduce the quality of CPO produced. We comply with the quality standards specification set by the MPOB and Palm Oil Refiners Association of Malaysian which specifies that free fatty acids content in CPO must not exceed 5%.

7.13.3 Certifications

As at the LPD:

(i) all our POMs and estates are RSPO-certified. The RSPO is the main certification standard for the use of palm oil and its fractions in food and olechemicals. Our RSPO-certified practices help us to gain access to global markets and provide an assurance to our customers that we follow responsible and sustainable practices.

We also provide advisory and technical support for our smallholders to attain the RSPO certification through our smallholder inclusion programme. As at the LPD, 3 out of our 29 external crop suppliers have been certified by RSPO;

(ii) all our POMs and plantation estates are MSPO-certified, and our POMs have also achieved the MSPO Supply Chain Certification Standard. The MSPO standard is a national certification standard created by the Government that covers the entire supply chain from upstream oil palm plantations to midstream operations;

(iii) all 5 of our POMs have been accorded with ISCC status. The ISCC standard is a globally recognised standard for sustainable biomass and bio-energy production that applies to companies selling products to the European markets; and

(iv) we comply with the ISO/IEC 17025:2017 (Laboratory Management System) standards and MS 1500:2019 (Malaysian Standard on Halal Food) to promote the highest quality of our palm products. These standards influence our policies, strategies, objectives and the allocation of resources.

7.14 MATERIAL EQUIPMENT

As at the LPD, the material equipment used by our POMs as part of our business operations are as follows:

Equipment	Description of use	Audited NBV as at 31 December 2023 (RM'000)
Boilers	A sealed container that heats liquid (typically water) to create steam. The pressurised steam is harnessed to power a steam turbine to generate electricity and provide heating within a processing system.	35,752
Sterilisers	A machine that uses high-temperature pressurised steam to loosen FFB. It prevents increased free fatty acids, deactivates enzymes, aids in stripping, prepares for de-oiling and oil extraction, and minimises kernel breakage.	24,295
Total		**60,047**

7.15 EMPLOYEES

The number of employees of our Group as at 31 December 2023 and the LPD is as follows:

	Number of employees					
	As at 31 December 2023			As at the LPD		
Categories	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**
Management and professional	109	-	109	108	-	108
Executive and assistant managers	258	-	258	262	-	262
Office and field staff or guard	896	-	896	885	-	885
General field workers	1,208	(1)3,884	5,092	1,208	(1)3,572	4,780
Total	**2,471**	**3,884**	**6,355**	**2,463**	**3,572**	**6,035**

Note:

(1) The breakdown of general field workers by nationality are as follows:

	Number of employees	
Nationality	**As at 31 December 2023**	**As at the LPD**
Indonesian	3,440	3,179
Bangladeshi	438	389
Indian	6	4
Total	**3,884**	**3,572**

The breakdown of our employees by geographical location are as follows:

	Number of employees					
	As at 31 December 2023			As at the LPD		
Categories	**Johor**	**Pahang**	**Total**	**Johor**	**Pahang**	**Total**
Management and professional	108	1	109	107	1	108
Executive and assistant managers	255	3	258	259	3	262
Office and field staff or guard	881	15	896	870	15	885
General field workers	4,937	155	5,092	4,628	152	4,780
Total	**6,181**	**174**	**6,355**	**5,864**	**171**	**6,035**

As at the LPD, we employed a total workforce of 6,035 employees, of which 2,444 are permanent employees and 3,591 are contractual employees. Some of our operations staff and workers, including foreign workers, are members of the All Malayan Estates Staff Union or National Union of Plantation Workers. There has not been any major industrial dispute pertaining to our employees since we commenced operations. Save as disclosed in Section 7.19.3(iii), all our foreign workers working in Malaysia have valid working permits.

We provide job rotation and generic training to staff at all levels to broaden their knowledge and capabilities, and foster a better understanding of the organisation as a whole and the functions of the different operating units and departments. We also train our employees to be equipped with contemporary knowledge and competencies through our upskilling and re-skilling program.

We regularly review our Talent Development Programme to ensure that it remains relevant in supporting our business plan and developing our talent pool. Our ultimate goal is to have the right person with the right skills for the right job at the right time and assess leadership readiness for key positions as and when the need arises.

To support our core business and to attract the right talent, we introduced our Cadet Planter Programme in 2008 through which we recruit 10 to 15 cadet planters every year to undergo on-the-job training at our estates. We offer permanent planter positions to cadet planters that we identify as having potential for long-term roles with us.

Under our Women OnWards Programme, which was established in 2008 as part of a larger women's employee outreach programme to support and promote gender equality, we provide a platform for our female employees to air their grievances, and to assist them in advancing their knowledge and skills.

7.16 MAJOR CUSTOMERS

Our top 5 major customers by revenue contribution for the Financial Years Under Review are as follows:

FYE 2020

Major customers	Type of products	Length of relationship as at 31 December 2020	Revenue contribution RM'000	%
Intercontinental Specialty Fats Sdn Bhd	CPO	5 years	419,484	41.1
Mewaholeo Industries Sdn Bhd	CPO	22 years	207,480	20.3
PGEO Group Sdn Bhd	CPO and PK	8 years	74,556	7.3
Jin Lee (Oil Mills) Sdn Bhd	PK	22 years	49,802	4.9
Nespalm Sdn Bhd	CPO	15 years	47,606	4.7
			798,928	**78.3**

FYE 2021

Major customers	Type of products	Length of relationship as at 31 December 2021	Revenue contribution RM'000	%
Intercontinental Specialty Fats Sdn Bhd	CPO	6 years	658,033	42.5
Mewaholeo Industries Sdn Bhd	CPO	23 years	154,609	10.0
Palmaju Edible Oil Sdn Bhd*	CPO	23 years	143,290	9.2
PGEO Group Sdn Bhd	CPO and PK	9 years	100,988	6.5
Jin Lee (Oil Mills) Sdn Bhd	PK	23 years	89,909	5.8
			1,146,829	**74.0**

FYE 2022

Major customers	Type of products	Length of relationship as at 31 December 2022	Revenue contribution RM'000	%
Intercontinental Specialty Fats Sdn Bhd	CPO	7 years	730,868	41.7
Palmaju Edible Oil Sdn Bhd*	CPO and PK	24 years	391,634	22.4
Vance Bioenergy Sdn Bhd	CPO	7 years	60,413	3.4
Carotino Sdn Bhd	CPO	8 years	56,543	3.2
TS Global Link Sdn Bhd	CPO	3 years	52,646	3.0
			1,292,104	**73.7**

FYE 2023

Major customers	Type of products	Length of relationship as at 31 December 2023	Revenue contribution RM'000	%
Intercontinental Specialty Fats Sdn Bhd	CPO	8 years	478,918	38.2
Palmaju Edible Oil Sdn Bhd*	CPO and PK	25 years	283,837	22.6
PGEO Group Sdn Bhd	CPO and PK	11 years	211,330	16.9
Mewaholeo Industries Sdn Bhd	CPO	25 years	76,742	6.1
Cargill Palm Products Sdn Bhd	CPO	9 years	55,662	4.5
			1,106,489	**88.3**

Note:

* Palmaju Edible Oils Sdn Bhd is a wholly-owned subsidiary of Fuji Oil Asia Pte Ltd, which is our partner for our venture into the downstream plantation business, as well as a 49% shareholder of our subsidiary, JPG Fuji, as set out in Section 4.5.1(a) of this Prospectus. Any future transaction with Palmaju Edible Oils Sdn Bhd (i.e. sale of CPO and PK) will not be normally regarded as related party transaction pursuant to exemption under Paragraph 10.08(11)(n) of the Listing Requirements.

As at the LPD, none of our Directors, Promoters and/or Substantial Shareholders had any interest, direct or indirect, in any of our major customers.

During the Financial Years Under Review, there was a concentration of our Group's revenue from 3 of our major customers, namely:

(a) Intercontinental Specialty Fats Sdn Bhd, which contributed more than 38.0% to our Group's revenue for the Financial Years Under Review;

(b) Palmaju Edible Oils Sdn Bhd, from which our Group generated revenue on an increasing trend, from 9.2% for the FYE 2021 to 22.6% for the FYE 2023; and

(c) PGEO Group Sdn Bhd, from which our Group generated revenue on an increasing trend, from 7.3% for the FYE 2020 to 16.9% for the FYE 2023.

However, we were not dependent on any of our customers during the Financial Years Under Review as:

(i) CPO and PK are agriculture commodities that are freely traded in a market with a wide variety of customers globally. We differentiate ourselves by producing and selling a majority of palm oil products that are highly traceable and certified as having complied with sustainability requirements. This differentiation enables us to offer our palm oil products to a wide group of customers comprising both conventional and non-conventional buyers with commitment towards sustainable sourcing;

(ii) we do not impose a contractual obligation on our customers to purchase any minimum quantity of palm oil products from our Group. If our customers do not place orders with us at the current levels, any surplus inventory is sold to other customers in the market which include palm oil refineries, oleochemical manufacturers and commodity traders. For the Financial Years Under Review, we have not experienced any material adverse impact on our financial performance as a result of customers discontinuing their relationship with us or deciding to purchase lower volume than expected;

(iii) the increasing consumer awareness on health, food, safety and sustainability has driven demand among our customers and their end-consumers for sustainably-produced palm oil products. Due to our sustainable palm oil product offerings, which are traceable and RSPO-certified, we are generally able to sell our products at a premium in the segment of the market that focuses on sustainably-sourced CPO. We focus on selling large volume of palm oil products to a limited number of customers as part of our sales strategy. These customers are selected from a pool of more than 20 customers based on, among others, their working relationship with our Group, credit profile and willingness to offer a premium for the certified palm oil products;

(iv) we have established a reputation as a reliable and sustainable supplier in the industry and have a good working relationship with our customers, both of which play a vital role in the sale of our palm products, as evidenced by our customer's willingness to offer a premium for our palm products. We have not, in the past 5 years, encountered any problem selling all of our palm products; and

(v) we have a close working relationship with our existing customers. These customers have been our customers for more than 7 years, and through our Group's established business relationship with them, have continuously purchased palm oil products from our Group.

We do not consider ourselves to be dependent on Mewaholeo Industries Sdn Bhd in view that revenue contribution from this customer has been on a declining trend over the Financial Years Under Review.

7.17 MAJOR SUPPLIERS

Our top 5 major suppliers for the Financial Years Under Review are as follows:

FYE 2020

Major suppliers	Type of products	Length of relationship as at 31 December 2020	Value of purchases RM'000	%
Guan Leng Trading Sdn Bhd	FFB	9 years	77,829	20.3
JCorp Group[(1)]	FFB	6 years	49,986	13.0
Hong Hui Trading	FFB	13 years	32,771	8.5
Wilmar Agrifert Marketing Sdn Bhd (formerly known as Agrifert Marketing Sdn Bhd)	Fertilisers	9 years	24,109	6.3
Perniagaan Sri Misan	FFB	9 years	22,036	5.7
			206,731	**53.8**

FYE 2021

Major suppliers	Type of products	Length of relationship as at 31 December 2021	Value of purchases RM'000	%
Guan Leng Trading Sdn Bhd	FFB	10 years	150,776	29.7
Hong Hui Trading	FFB	14 years	49,948	9.8
Perniagaan Sri Misan	FFB	10 years	47,273	9.3
Behn Meyer AgriCare (M) Sdn Bhd	Fertilisers and chemicals	10 years	21,039	4.1
FGV Fertiliser Sdn Bhd	Fertilisers	3 years	18,957	3.7
			287,993	**56.6**

FYE 2022

Major suppliers	Type of products	Length of relationship as at 31 December 2022	Value of purchases RM'000	%
Guan Leng Trading Sdn Bhd	FFB	11 years	110,354	20.5
Hong Hui Trading	FFB	15 years	57,652	10.7
Hap Seng Fertilizers Sdn Bhd	Fertilisers	10 years	48,953	9.1
Perniagaan Sri Misan	FFB	11 years	36,385	6.8
FGV Fertiliser Sdn Bhd	Fertilisers	4 years	28,724	5.3
			282,068	**52.4**

FYE 2023

Major suppliers	Type of products	Length of relationship as at 31 December 2023	Value of purchases RM'000	%
Guan Leng Trading Sdn Bhd	FFB	12 years	77,908	18.8
Hong Hui Trading	FFB	16 years	45,201	10.9
Perniagaan Sri Misan	FFB	12 years	27,840	6.7
Union Harvest Sdn Bhd	Fertilisers	10 years	22,452	5.4
Choon Guan Oil Palm Sdn Bhd	FFB	10 years	17,840	4.3
			191,241	**46.1**

Note:

(1) The major suppliers under the JCorp Group comprise JCorp and Johor Franchise Development. The length of our business relationship with them of 6 years (as at 31 December 2020) is based on the first purchase and supply of FFB in 2015.

The JCorp Group was our major supplier for the FYE 2020 as we purchased FFB harvested from the Malay Reserved Estates from them during that time. Subsequently, we entered into the Tenancy Agreement with JCorp to rent the Malay Reserved Estates from July 2020 to June 2023, followed by the Renewal Tenancy Agreement from July 2023 to June 2026, for the operation of oil palm plantation and have since ceased purchasing FFB from these related parties.

As at the LPD, none of our Directors, Promoters and/or Substantial Shareholders have any interest, direct or indirect, in any of our major suppliers.

We purchase FFB from external suppliers, such as smallholder farmers and FFB traders who collect FFB from smallholders, to maximise the utilisation of our POMs. To procure supply commitments from these FFB suppliers, we enter into short term supply contract with them to purchase FFB from their estates, subject to annual review and renewal. Please refer to Section 7.4.1.2(i) of this Prospectus for details of FFB purchased from our external suppliers and FFB produced by us for the Financial Years Under Review.

We also actively engage with smallholders via our smallholder inclusion programme to assist them in obtaining RSPO certification for their estates, which represents a potential source of additional RSPO-certified FFB for our Group's operations.

We purchase fertilisers and chemicals from local suppliers. For the Financial Years Under Review, we are not dependent on any of our suppliers. Although we have substantial purchases and long-term business relationships with various suppliers during the Financial Years Under Review, the FFB, fertilisers and chemicals products required for our business operations are commodities which are readily available in the market and may be sourced from other suppliers throughout Malaysia.

7.18 INTERRUPTIONS TO OUR BUSINESS AND OPERATIONS

Save as disclosed below, there has not been any material disruption to our business activities during the Financial Years Under Review up to the LPD.

7.18.1 COVID-19 pandemic

Due to the outbreak of the COVID-19 pandemic in 2020, the Government had implemented various measures and restrictions on the conduct of activities, including quarantine measures, restrictions on the movement of persons and closure of borders, to contain the spread of the virus. These actions were eased and tightened during the course of 2020 and 2021 as the extent of the COVID-19 pandemic had been fluctuating.

The MCO period had no material impact on our operations. As oil palm sector was classified under "essential services" sector, our operations were not disrupted, and we were allowed to operate while complying with certain mandatory operating procedures (such as reduced workforce capacity) outlined by MITI during the MCO period from 18 March 2020 to 3 May 2020. Since June 2021, we were allowed to operate by complying with the general operating procedures issued by the Government.

We experienced some delays in the movement of our palm products (FFB from traders and/or smallholders), inputs (fertilisers and chemicals), machinery and spare parts, and other support services due to the outbreak of the COVID-19 pandemic in 2020. However, the COVID-19 pandemic did not have a significant impact on our Group's supply chain during the MCO period.

We did not experience any disruption of our supply chain in 2022, 2023 and the period from 1 January 2024 up to the LPD. We continue to implement control measures to protect the health and safety of our workers, and establish business continuity and disaster recovery plans to ensure we are prepared to respond to and recover from business disruption events or situations.

Please refer to Section 7.18.2 of this Prospectus for the impact on our availability of labour as a result of the COVID-19 pandemic.

7.18.2 Labour shortage

As at the LPD, approximately 74.7% of our estate workers are foreigners. Out of the total 3,572 foreign workers, 1,376 foreign workers have been approved by the Ministry of Human Resources to be transferred to our Group and are awaiting the issuance of new Passes under our Group by the Immigration Department of Malaysia, while 165 out of 3,572 foreign workers are pending approval from the Ministry of Human Resources, which is expected to be obtained by the 3rd quarter of 2024. We rely on foreign labour to carry out most of the field work in our estates, such as harvesting, fruit loading, manuring and spraying.

In 2020, the implementation of the MCO by the Government from 18 March 2020 prevented the hiring of foreign workers. In response, we implemented various strategies to overcome the resulting labour shortage, such as introduction of an incentive scheme of RM1,200 per year for all foreign workers who served for at least 3 years to prolong their stay in Malaysia, an engagement session with the consulate general of Indonesia in Johor Bahru for the postponement of the foreign workers' pre-planned departure back to their home country, and the recruitment of approximately 150 local workers from nearby villages to work in our estates. As a result, we were able to manage the foreign labour shortfall and achieve a moderate increase in yield per to 22.9 MT per Ha for the FYE 2020 from 21.7 MT per Ha recorded in the previous financial year.

In 2021, the prolonged freeze in new recruitment of foreign workers and continuous attrition of experienced workers returning to their home countries as a result of the COVID-19 pandemic, resulted in an unprecedented acute shortage of labour. In Malaysia, the supply of labour was constrained, especially in the plantation industry. Given our overall manpower constraints in these conditions, we allocated more estate workers to harvesting, which resulted in fewer workers and some collateral delays in the areas of estates' upkeep and maintenance. FFB production during the year was also significantly impacted by extremely low rainfall during the 1st half of 2019. The prolonged dry conditions induced moisture stress in the oil palms, which affected plant vegetative growth and in turn, led to reduced production. This resulted in declining FFB yield during the 1st quarter of 2021 once those palms matured. For the same reason, the crop of oil palm seedlings in 2019 (which affected production in 2021) produced lower than expected yields.

In 2022, the acute labour shortage continued as a result of the prolonged freeze of new recruitment of foreign workers. On 1 April 2022, Malaysia's national borders were reopened to allow new intake of foreign workers and we have recruited a total of 2,362 new workers from Indonesia since June 2022 up to the LPD. Despite the acute labour shortage during the 1st quarter of 2022, we managed to produce 1.1 million MT of FFB in 2022, representing an increase of 7.4% in FFB production volume as compared to that in 2021.

We also implemented several initiatives throughout the year to address our labour shortage such as increased mechanisation involving the usage of mini tractor, scissor lifts or grabbers for collection of FFB, bin system for speedy evacuation of FFB to our POMs, and smart manure spreaders for the application of fertilisers in the field.

Since January 2023 and up to the LPD, we have not experienced shortage of labour as the COVID-19 related travel restrictions abated and the sourcing of foreign workers began to normalise.

7.18.3 Flooding in Johor

In March 2023, Johor was affected by extreme weather condition with nearly 2 weeks of torrential rain which caused flooding. The flooding displaced large numbers of people in the state from their homes, and damaged roads, bridges and other infrastructure. In relation to our operations, the flooding impeded and, in some cases, entirely prevented workers from traveling to, from and within our estates to harvest and transport FFB.

As a result of the above, our FFB yields declined by approximately 1.8% while our CPO and PK production decreased by approximately 6.4% and 5.2% respectively during the FYE 2023 as compared to the FYE 2022. Notwithstanding that this had resulted in loss of FFB yield and CPO and PK production, we do not expect the flooding to have a significant long-term impact as the irrigation and drainage systems were able to evacuate the flood waters from the estates and our oil palms were not inundated for an extended period of time. We have incurred approximately RM3.2 million for repair and maintenance work resulting from the flood incident as at the LPD.

7.18.4 Fire incident at our biomethane plant at Sedenak POM

On 25 October 2023, a fire broke out at our biomethane plant located at the Sedenak POM. Based on the fire investigation report issued by the Fire and Rescue Department, the fire was caused by lightning striking the top lining (canopy) of one of the 2 biogas ponds. This incident resulted in damage to the top lining (canopy) of the biogas pond and the gas capture mechanism of both ponds. The fire is believed to have lasted for less than 10 minutes and there was no casualty or injury caused to any person as a result of the fire.

The operation of the 2 biogas ponds in treating POME are not affected and there has been no POME overflowing from the 2 biogas ponds. However, due to the damage to the top lining (canopy) and gas capture mechanism, the biogas ponds are no longer able to trap biogas which is used to produce biomethane. No other properties or assets of our Group located at the Sedenak POM, including any part of the plantation estate, were damaged by the fire and accordingly, the operations of facilities at the Sedenak POM (other than the biomethane plant) remain unaffected.

The biomethane plant was placed under emergency shutdown during the incident and has not been in operation since then. The damage to the biomethane plant is awaiting assessment by loss adjusters and the biomethane plant is currently undergoing restoration works. Our management has notified the Department of Environment and DOSH regarding the incident.

We began generating revenue from our biomethane plant from August 2023 and recorded revenue of approximately RM0.6 million (representing less than 0.1% of our Group's total revenue for the FYE 2023) up to the date of the fire incident. The fire incident is not expected to have a material adverse impact on our business operations and financial condition as the operation of the Sedenak POM is not disrupted as a result of the fire incident, and the revenue and anticipated profit contribution from the biomethane plant is not material to our financial position or prospects. As at the LPD, the fire incident has not resulted in fines or penalties by any authorities or any other impact. Restoration works were completed in May 2024 and we have since resumed operations at the said plant.

The fire incident is not expected to affect the gas supply arrangement contemplated under the gas purchase agreement entered into with Gas Malaysia Green Ventures in 2019 as Gas Malaysia Green Ventures had, via a written confirmation, acknowledged that the fire incident is considered as a force majeure event as prescribed under the gas purchase agreement.

7.18.5 Adverse weather conditions

Weather has a key impact on oil palm yields. Volatile and unpredictable weather patterns require us to be meticulous and farsighted in terms of planning for our plantations. We experienced extremely low rainfall during the 1st half of 2019, which led to declining FFB yield in the 1st quarter of 2021. There was also hot and dry weather during the 1st half of 2019, which resulted in a higher percentage of FFB being unsuitable for processing. Both incidents contributed to our lower FFB yields in the FYE 2021 as compared to the FYE 2020. In contrast, we experienced favourable weather conditions in the first 3 quarters of 2022, which is expected to improve FFB yields in future harvests.

Weather conditions also affect global CPO and PK prices, which in turn affect our selling prices. There have been 3 price rallies since 1990 caused by strong El Niño weather events in 1995, 2009 and 2019. These El Niño events saw widespread droughts in Southeast Asia, which led to lower FFB yields and reduced CPO and PK supply, thereby increasing CPO and PK prices.

Please refer to Section 7.18.3 of this Prospectus for more information on weather conditions that impacted our business and operations.

7.19 GOVERNING LAWS AND REGULATIONS

The relevant laws and regulations governing us and which are material to our operations are summarised below.

7.19.1 Governing laws and regulations relating to the palm oil industry

The cultivation, movement, sale, purchasing and milling of the palm fruit as well as the sale movement and purchase of palm oil and PK in Malaysia are governed by the following legislations:

(i) MPOB Act

MPOB Act empowers MPOB to govern and regulate every aspect of palm oil business. The MPOB Act emphasises on the composition and the powers of MPOB. The establishment of MPOB is to promote and develop the oil palm industry of Malaysia and to develop national objectives, policies and priorities for the orderly development and administration of the oil palm industry of Malaysia.

MPOB is responsible for regulating, registering, coordinating and promoting all activities relating to planting, supply, sale, purchase, distribution, movement, storage, surveying, testing, inspecting, brokering, export and import of oil palm products, and the milling of oil palm fruit.

A person who is guilty of an offence under the MPOB Act for which no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 2 years, or to both.

We have complied with and will continue to ensure compliance with the MPOB Act.

(ii) MPOB (Licensing) Regulations 2005

The MPOB (Licensing) Regulations 2005 regulate the palm oil licensed activities. These regulations prescribe the procedures and the relevant forms for applications for licences to, among others, produce, sell, move, store, purchase, export or import oil palm planting material, oil palm fruit, PK, and other palm oil produce.

A person who carries out a licensed activity without an appropriate licence issued by MPOB commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding 3 years, or to both.

We have obtained the requisite licences from the MPOB to carry out the licensed activities at our plantation estates and POMs. Please refer to Annexure A for details of the licences issued by the MPOB to our Group.

(iii) MPOB (Quality) Regulations 2005

The purpose of MPOB (Quality) Regulations 2005 is to control and determine the quality of all activities in the palm oil industry. This includes, among others, production and management of palm oil planting material, grading and milling of oil palm fruit, processing, storing, transferring, handling and transporting of oil palm products.

Quality declaration for the local trade of palm oil products shall be made to MPOB to determine whether such product conform to the type and quality of palm oil products which may be sold. A person who fails to comply with such requirement commits and offence and shall, on conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding 2 years, or to both.

MPOB may also set conditions on the sale of palm oil products. We shall comply with the circulars issued by MPOB from time to time to ensure quality of the palm oil product.

We have complied with and will continue to ensure compliance with the MPOB (Quality) Regulations 2005.

(iv) MPOB (Compounding of Offences) Regulations 2005

Under the MPOB (Compounding of Offences) Regulations 2005, all offences committed under the MPOB Act and regulations enacted under the MPOB Act that are specified in this regulation, may be compounded by the Director General of MPOB.

For the information purpose, we have not been compounded by the MPOB for any offences under the MPOB Act and its regulations.

(v) EQA, Environmental Quality (Prescribed Premises) (Crude Palm-Oil) Regulations 1977 and Environmental Quality (Clean Air) Regulations 2014

The EQA restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without licence, discharge of wastes into Malaysian waters without a licence, and prescribes premises to be licensed.

Pursuant to the Environmental Quality (Prescribed Premises) (Crude Palm-Oil) Order 1977, premises occupied or used for the processing of oil-palm fruit or oil-palm FFB into CPO, whether as an intermediate or final product, are prescribed premises in which a licence will be required for the occupation or use of such premises.

Any person who fails to obtain such licence, shall upon conviction, be liable to a fine not exceeding RM50,000 or imprisonment for a period not exceeding 2 years or to both and to a further fine of RM1,000 for every day that the offence is continued after a notice has been served upon him to cease the act.

The Environmental Quality (Clean Air) Regulations 2014 regulate the emission of air pollutants to the atmosphere and specifies the requirements for an air pollution control system for every premises to which the regulations apply, including any premises or process that discharges or is capable of discharging air pollutants into the open air.

Any person who contravenes or fails to comply with any provision of the regulations shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 2 years or to both.

Our POMs have obtained the licences from Department of Environment to occupy or use the POMs for the purpose of our business operations. Please refer to Annexure A for details of the licences issued by the Department of Environment to our Group.

7.19.2 Other relevant legislations

(i) SDBA

The SDBA provides uniformity of law and policy to make laws with regard to local government matters relating to street, drainage and buildings in Peninsular Malaysia. It provides for the requirement to have a CF or CCC to ensure that the building is safe and fit for occupation.

In exercise of the powers conferred by the SDBA, the Uniform Building By-Laws 1984 has been put into force. Under the Uniform Building By-Laws 1984, the CCC shall be issued by the principal submitting person, among others:

(a) when all the technical conditions as imposed by the local authority have been duly complied with;

(b) when all essential services have been provided; and

(c) when he has supervised the erection and completion of the building and that to the best of this knowledge and belief the building has been constructed and completed in accordance with the SDBA, Uniform Building By-Laws 1984 and the approved plans.

No person shall occupy or permit to be occupied any building or any part thereof unless a CF or CCC has been issued, and any failure to comply shall be liable on conviction to a fine of up to RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Save as disclosed in Section 7.19.3(i) of this Prospectus, the buildings used or occupied by our Group which are material for the conduct of our Group's business or operations comply with the requirements for CF or CCC.

(ii) FSA

The FSA provides for, among others, the protection of persons and property from fire risks or emergencies and for purposes connected therewith. Pursuant to the FSA, every designated premises shall require a fire certificate. A fire certificate is issued by the Director General of Fire and Rescue after an inspection of the designated premises has been carried out and on being satisfied that there exists adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

"Designated premises" has been defined under the Fire Services (Designated Premises) Order 1988 (as amended by the Fire Services (Designated Premises) (Amendment) Order 2020) to include the following:

(a) premises throughout Malaysia used as an office with a size of 30 metres and above in height or 10,000 square metres and over (total floor area);

(b) premises throughout Malaysia used as a shop with 3,000 square metres and over (total floor area);

(c) premises throughout Malaysia used as a factory and if it is a single storey - 2,000 square metres and over (total floor area) where the automatic sprinkler systems are installed or if it is 2 storeys and above - 2,000 square metres and over (total floor area) where the automatic sprinkler systems are installed; and

(d) premises throughout Malaysia for storage and general use with a size of 1,000 square metres and over (total floor area) or 7,000 m^3 and over, where the automatic sprinkler systems are installed.

Pursuant to the FSA, where there is no fire certificate in force in respect of any designated premises the owner of the premises shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

Where an offence under the FSA committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary, or other similar officer of the body corporate, or any person purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence.

Further, the FSA also requires the owner, occupier or person having the overall management of the designated premises to establish a fire safety organisation, failing which he shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

Our POMs are designated premises and 2 of the POMs have not been issued with a fire certificate. The application for fire certificates for 1 out of the 2 POMs has been submitted in December 2023 and the application for the remaining 1 POM is expected to be submitted by the 2nd quarter of 2024. Please refer to Section 7.19.3(ii) of this Prospectus for further details.

(iii) Immigration Act 1959/63 ("Immigration Act")

The Immigration Act regulates various aspects of immigration into Malaysia, including the entry of foreign workers into Malaysia.

Any person who employs one or more persons, other than a citizen or a holder of an entry permit who is not in possession of a valid pass to enter Malaysia shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each of such employee.

A pass lawfully issued to any person shall cease to be a valid pass when any of its terms and conditions is contravened. Where the pass has been issued for temporary employment, any changes in the employment for which it is issued must be with the written consent of the Controller of Immigration.

If it is proved to the satisfaction of the court that a person has at the same time employed more than 5 employees who are not in possession of a valid pass, that person shall, on conviction be liable to imprisonment for a term of not less than 6 months but not more than 5 years and shall also be liable to whipping of not more than 6 strokes.

Where the offender is a body corporate, any person who at the time the offence was committed, was a member of the board of directors, a manager, a secretary or a person holding an office or a position similar to that of a manager or secretary of the body corporate, shall be guilty of that offence and shall be liable to the same punishment as mentioned above.

As at the LPD, we have 3,572 foreign workers, out of which 1,376 workers are currently awaiting issuance by the Immigration Department of Malaysia of new visitor's pass (temporary employment) ("**Pass**") under our Group, and 165 workers are pending approval by the Ministry of Human Resources to be transferred from the Kulim group of companies to our Group. Further details in relation to the issuance of Passes of foreign workers are set out in Section 7.19.3(iii) of this Prospectus.

(iv) National Land Code (Revised 2020) ("NLC")

The NLC governs land matters within Peninsular Malaysia, where our lands are situated.

Pursuant to the NLC, the state authority may alienate land subject to such express conditions and restriction in interest which shall be determined by the state authority at the time when the said land is approved for alienation, and every condition or restriction of interest imposed shall be endorsed on or referred to in the document of title to the land.

The NLC provides that upon any breach arising of any condition to which any alienated land is for the time being subject, the land shall become liable to forfeiture to the state authority, where the land administrator may make an order for the payment of a fine of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues.

Save as disclosed in Section 7.19.3(iv) of this Prospectus, the lands which our Group occupies are in compliance with the conditions stipulated in the document of title.

(v) OSHA

The OSHA provides provisions for securing the safety, health and welfare of persons at work, for protecting others against risk to safety or health in connection with the activities of persons at work and for matters connected therewith.

Employers and every self-employed person must so far as is practicable, ensure the safety, health and welfare at work of all its employees by (including but without limitation):

(a) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;

(b) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

(c) the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health of our employees at work;

(d) so far as is practicable, as regards any place of work under the control of the employer or self-employed person, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and

(e) the provision and maintenance of a working environment for its employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work.

Failure to comply with the above constitutes an offence and the employer is liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years, or to both. Where a body corporate contravenes any provision of the OSHA or any regulation made thereunder, every person who at the time the offence was committed is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence. Where a person convicted in respect of an offence under the OSHA or any regulation made thereunder is a body corporate or a trade union, it shall only be liable to the imposition of a fine provided therefor.

There had been instances of non-compliance with the OSHA arising from the occurrence of accidents as disclosed in Section 7.19.3(v) of this Prospectus, and our Group has since implemented Safety Measures (as set out and defined in Section 7.19.3(v) below) to comply with the applicable control measures required under the OSHA.

As at the LPD, as we employ more than 100 employees, we are also required under the OSHA to employ a safety and health officer, who is tasked with ensuring the due observance of the statutory obligations as regards to workplace health and safety and the promotion of a safe conduct of work at the workplace. We have also set up a health and safety committee, which we consult in promoting and developing measures to ensure the safety and health at the place of work of the employees, and in checking the effectiveness of such measures.

(vi) FMA

The FMA governs the control of factories with respect to matters relating to safety, health and welfare of person therein, the registration and inspection of machinery and for matters connected therewith.

No person shall install or caused to be installed any machinery in respect of which a certificate of fitness is prescribed except with the written approval of the Inspector of Factories and Machinery. In addition, no person shall operate or cause or permit to be operated any machinery in respect of which a certificate is prescribed unless a valid certificate of fitness under the FMA has been issued. Any person who fails to obtain a valid certificate of fitness in respect of any machinery of which a certificate is required shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

The machinery and equipment that we own and/or operate in the course of carrying out our business operations are governed by the requirements of the FMA. Accordingly, we have been issued with certificates of fitness in respect of the machinery and equipment which fall under the purview of the FMA and have submitted renewal application for the certificate of fitness in a timely manner before expiration of such certificates of fitness.

Please refer to Annexure A for details of the certificates issued by DOSH to our Group.

(vii) Control of Supplies Act 1961 and Control of Supplies Regulations 1974

The Control of Supplies Act 1961 governs the law on controlled article in Malaysia. Pursuant to the Control of Supplies Regulations 1974, a permit shall be required for any person to possess over 20 litres of petrol and diesel fuel for usage in the course of its trade or business.

Any person who contravenes or fails to obtain permit as required by the regulations shall be guilty of an offence. Upon conviction, any body corporate shall be liable to a fine not exceeding RM2,000,000 and for subsequent offence, to a fine not exceeding RM5,000,000. The director or officer of such body corporate may also be liable to a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding 3 years or to both, and for subsequent offence, to a fine not exceeding RM3,000,000 or to imprisonment for a term not exceeding 5 years or to both.

We have obtained the permits to purchase and store diesel fuel and/or petrol required for the purpose of our business operations.

(viii) The Waters Enactment 1921

The Water Enactment 1921 provides for the control of rivers and streams including diversion of water from rivers.

No person shall by means of any ditch, drain, channel, pipe or otherwise divert the water from any river from its natural course unless being issued a licence. Licences shall be obtained to divert water from a river in any district for use for, among others, generation of electricity, private or domestic purposes and for industrial and other purposes. Any person who fails to obtain such licence shall upon conviction, be liable to a fine not exceeding RM10,000.

We have obtained the licences for abstraction of water for our business operations. Please refer to Annexure A for details of the licences issued by the Badan Kawalselia Air Negeri Johor to our Group.

(ix) Electricity Supply Act 1990 and Electricity Regulations 1994

The Electricity Supply Act 1990 and the Electricity Regulations 1994 regulate, among others, the electricity supply industry, the supply of electricity and the licensing of any electricity installation.

Subject to any exemptions as may be granted, no person, other than a supply authority shall use, work or permit to be used, worked or operated any installation without having obtained a licence for installation. Such licence can be licence for public installation or licence for private installation.

A person who uses, works or operates, or permits to be used, worked or operated any installation without having a licence commits an offence and shall upon conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

We have obtained the licences for private electrical installation for the supply and use of electricity for the operations of our POMs. Please refer to Annexure A for details of the licences issued by the Energy Commission to our Group.

(x) Water Services Industry Act 2006 and Water Services Industry (Licensing) Regulations 2007

The Water Services Industry Act 2006 regulates the water supply services and sewerage services and matters incidental thereto in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan.

Subject to any exemptions as may be granted, no person shall own a private water supply system or private sewerage system or any part of the systems or undertake, provide or make available any water supply services or sewerage services or part of the services by means of operating a private water supply system or private sewerage system unless he holds a class licence.

A person who fails to comply with the requirement above shall upon conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding 2 years or to both.

We have obtained the class licences for the private water supply system and water distribution and water treatment for our business operations. Please refer to Annexure A for details of the licences issued by the National Water Service Commission to our Group.

(xi) Competition Act 2010

The Competition Act 2010 promotes and protects the process of competition of any commercial activity, both within and outside Malaysia which has an effect on competition in Malaysian market to promote economic development as well as to protect the interests of consumers. Any anti-competitive conduct is prohibited.

The Competition Act 2010 prohibits anti-competitive agreements and the abuse of dominant position in the market. No enterprise is allowed to enter into a horizontal or vertical agreement with another enterprise(s) that has the object or effect of significantly preventing, restricting or distorting competition in any market for goods or services. No enterprise is allowed from engaging, whether independently or collectively, in any conduct which amounts to an abuse of dominant position in any market for goods or services.

If the Malaysia Competition Commission determines that any enterprise has infringed or is infringing the prohibition above, it shall, among others, require that the infringement to be ceased immediately and may impose a financial penalty not exceeding 10% of the worldwide turnover of the enterprise over the period during which an infringement occurred.

In the course of carrying out our business operations, we are to ensure compliance with the Competition Act 2010. We have not engaged in any prohibited act or conduct which creates anti-competitive effect in the Malaysian market and will ensure continued compliance with the Competition Act 2010.

7.19.3 Non-compliances

(i) CCC for our Group's POMs and other Non-Essential Buildings have not been issued

Insofar as the buildings held by our Group are concerned, the legislations which are relevant to the issue of CF/CCC are as follows:

(a) Section 70 of the SDBA;

(b) Local Government Act 1976; and

(c) Johor Uniform Building By-laws 1986 and Pahang Uniform Building By-laws 1996 (collectively, the "**UBBL**").

The SDBA provides that any building or any part thereof is required to be issued with a CF or CCC for it to be occupied or permitted to be occupied. It applies to a building erected in a local authority area. Any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable, on conviction, to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Under the Local Government Act 1976, the declaration of an area to be a local authority area, as well as the boundaries of such local authority area are to be determined by the relevant state authority. The SDBA became applicable and the CF/CCC requirements took effect in Johor and Pahang in practice on 1 January 1986, when the UBBL came into force.

In view of the foregoing, a CF/CCC is required to be obtained upon erection/renovation of a building only when (a) the building in question is erected on or after 1 January 1986 and (b) the building falls within the boundaries of a local authority area, whichever is the later to occur.

<u>**Our POMs**</u>

As at the LPD, all of our POMs do not have a CF or CCC. Based on the dates of the official gazette published by the local authorities, or the dates on which notices of assessment were issued in respect of the respective estate land on which our POMs are erected, whichever is the earlier, all of our POMs were erected prior to them falling within the boundaries of a local authority area. In view of this, the requirement for a CF or CCC to be obtained in respect of our POMs is inapplicable under the foregoing legislations.

Notwithstanding the above, we have in the past encountered issues in obtaining business licences for some of our POMs (namely Sindora POM, Palong Cocoa POM, Sedenak POM and Pasir Panjang POM) from the respective local councils as a CF or CCC forms one of the requisite documents to be submitted to the respective local councils in applying for the business licences for the POMs as governed under the respective by-laws issued by the local authorities. Nonetheless, we have obtained temporary business licences for the above 4 POMs, while our Tereh POM has been issued with a full business licence. Temporary business licences were issued to our 4 POMs due to absence of a CCC. Unless the requirement of a CCC is waived by the respective local councils, a CCC is required to be submitted to the local councils for the issuance of a full business licence.

In view that a CF or CCC is required by the relevant local authorities in their process of issuing a business licence and for the purposes of obtaining such CCC, we have:

(i) appointed Muda Consult Sdn Bhd ("**Muda Consult**"), a registered civil engineering firm, on 28 March 2023 to make the necessary applications to the relevant authorities (i.e. Kulai Municipal Council, Kota Tinggi District Council, Simpang Renggam District Council, Kluang Municipal Council and Segamat Municipal Council) to obtain the approval for planning permission and building plan, as well as for the issuance of CCC for our POMs (comprising various buildings such as CPO and PK production plant, operational office, tissue culture laboratory, biomethane facilities, biogas plants, water treatment plant, boiler house, staff quarters and workers' quarters); and

(ii) set up a team to monitor the application progress and follow up with the relevant authorities to expedite the issuance of the planning permission, as well as to oversee the rectification and construction works which may be carried out to comply with any requirements imposed by the relevant authorities, if applicable.

Pending the issuance of the CCC for our POMs, we will continue to operate at these premises. We do not foresee any risks for us to continue operations at these premises as all the POMs have been issued with business licence or temporary business licence (as the case may be) by the respective local councils. Applications to the relevant authorities for the planning permission and building plans for all our 5 POMs had been submitted in January 2024 (for Sedenak POM and Pasir Panjang POM) and March 2024 (for Palong Cocoa POM, Sindora POM and Tereh POM).

We estimate that it would take up to 32 months (i.e. by November 2025) to obtain the CCC for our POMs:

Key event	Timeframe	Tentative timeline
Preliminary assessment • Data collection and site visit • Pre-consultation with local councils	3 months	Completed in June 2023
Preparation process • Preparation of the applications for the submission to the relevant local councils for the planning permission • Preparation of the layout plans, building plans and other reports as may be required to be submitted to the relevant authorities[(1)] to ascertain compliance with the UBBL	9 months	Completed. Applications submitted progressively by March 2024
Application process • Evaluation by the relevant authorities[(1)] • Identification of the rectification/repair works, if required	3 months	Approval to be obtained by the end of June 2024
Rectification process • Preparation of tender documents and evaluation of tender • Appointment of relevant contractors to carry out rectification/construction works • Carry out rectification/construction works to comply with requirements from relevant authorities[(1)], as applicable	13 months	By July 2025
Issuance of CCC	4 months	By November 2025

Note:

(1) Authorities include, among others, the relevant local councils, Department of Irrigation and Drainage, Minerals and Geoscience Department, Malaysian Public Works Department, Fire and Rescue Department and Department of Environment.

The estimated cost to obtain the CCC for our POMs is RM1.3 million, excluding any cost to be incurred for any rectification or construction work to comply with any condition or requirement that may be imposed by the relevant authorities, which could not be determined at this juncture as such requirement or condition, if any, is typically imposed by the relevant authorities during the processing of the application for the CCC.

Our POMs collectively made up approximately 8.4% of the total audited consolidated NBV of our properties as at 31 December 2023, and accounted for more than 98% of our annual consolidated revenue for the Financial Years Under Review.

Non-Essential Buildings

In addition to our POMs, we have a total of 3,961 buildings on our estate land (owned or rented), out of which 215 buildings, which are subject to the CCC requirement, were erected or renovated subsequent to them falling within the boundaries of local authority areas ("**Non-Essential Buildings**") and do not have a CF or CCC.

These buildings comprise, among others, staff and workers' quarters, storage buildings, mosques and prayer rooms, which are non-revenue generating ancillary/support buildings and did not contribute directly and indirectly to our total revenue for the Financial Years Under Review. As at the LPD, the details of the Non-Essential Buildings are as follows:

Estate	Types of buildings	Number of applications to be submitted
Mutiara Estate	• 2 worker quarters • 1 prayer room	1
Selai Estate	• 60 worker quarters • 1 mosque • 1 office	1
Sungai Tawing Estate	• 12 worker quarters	1
Tereh Utara Estate	• 20 worker quarters • 3 staff quarters	1
Tereh Selatan Estate	• 1 office • 1 staff quarters	1
Sedenak Estate	• 2 offices • 7 storage buildings • 1 guard house • 1 pump house • 1 garage	1
Labis Bahru Estate	• 2 storage buildings • 1 garage • 1 office	1

Estate	Types of buildings	Number of applications to be submitted
Sepang Loi Estate	• 1 garage • 1 office	1
Mungka Estate	• 16 worker quarters • 2 storage buildings • 1 nursery	1
Palong Estate	• 4 staff quarters • 2 workshops • 1 prayer room • 1 office	1
REM Estate	• 1 office • 1 garage • 1 pump house • 1 worker quarter	1
Pasir Panjang Estate	• 6 worker quarters	1
Tunjuk Laut Estate	• 8 worker quarters	1
Sindora Estate	• 2 storage buildings	1
Basir Ismail Estate	• 26 worker quarters • 3 storage buildings • 1 multipurpose hall • 1 clubhouse • 1 prayer room • 2 staff quarters • 1 office	2
Bukit Layang Estate	• 3 storage buildings • 1 guard post	1
UMAC Estate	• 3 staff quarters • 2 storage buildings • 1 garage • 1 nursery • 1 mosque • 1 office	1
Total	**215 buildings**	**18**

The total NBV of these buildings is approximately RM6.2 million, representing approximately 0.2% of our audited consolidated NA as at 31 December 2023.

In view of the foregoing, our Board is of the view that none of the Non-Essential Buildings, either individually or taken collectively as a whole, are essential to the conduct of our business and non-compliance with the CCC requirement for such Non-Essential Buildings at this juncture would not materially and adversely affect our business and operations.

Nevertheless, we intend to apply for CCC for the Non-Essential Buildings after obtaining the CCC for our 5 POMs.

The estimated cost to rectify the non-compliance is approximately RM8.6 million, excluding any additional cost to be incurred for any rectification or construction work to comply with any condition or requirement that may be imposed by the relevant authorities, which cannot be determined at this juncture.

Pursuant to Section 70(27)(f) of the SDBA, we could potentially be liable to a fine not exceeding RM250,000 per building, or imprisonment for a term not exceeding 10 years, or both for each building which has been erected without a CCC. Based on the total number of affected properties which have not been issued with CCC, the potential maximum penalty is approximately RM53.8 million, representing 32.2% of our Group's PAT for the FYE 2023.

Nevertheless, based on our experience in dealings with the relevant authorities as well as advice from our consultant that only 18 applications are required to be submitted for obtaining the CCC in respect of the Non-Essential Buildings, we are of the view that the relevant authorities are unlikely to take enforcement action or impose such penalties. It is also worthwhile noting that:

(i) a simultaneous enforcement on all the Non-Essential Buildings, resulting in forced closure of all of them at any one time as a result of failure to obtain a valid CCC, is reasonably remote given that the Non-Essential Buildings are scattered throughout approximately 60,000 Ha of our estate lands;

(ii) it is a fairly common practice that CCC is not generally sought for buildings erected on agriculture lands as they are located outside the urban area;

(iii) the local authorities in general have not taken a view to enforce the requirement of CCC on the oil palm plantations sector, and have provided written confirmations that they have no objection for us to continue our business operations at the premises provided that we are fully responsible for any claims against the local councils relating to disasters, accidents or losses caused by our Group; and

(iv) based on industry practice over the years and with the benefit of written clarification obtained from the Malaysian Palm Oil Association and the Malayan Agriculture Producers Association, it is not within the contemplation of the relevant authorities to broadly insist on the issuance of CCC in respect of existing old buildings erected on plantation/agricultural land. It is expected that as and when the local authorities plan to enforce the requirement of CCC for these buildings, consultations and views will be sought from the industry to align with the aspiration and common practices of the plantation industry.

(ii) Fire certificates for our Group's POMs have not been issued

Section 28(1) of the FSA provides that every designated premises (as stipulated in the Fire Services (Designated Premises) (Amendment) Order 2020) shall require a fire certificate.

As at the LPD, save for Palong Cocoa POM, Pasir Panjang POM and Sedenak POM, our remaining 2 POMs do not have fire certificates. In the past, we had obtained fire certificates for our Palong Cocoa POM and Pasir Panjang POM, but were subsequently informed by the relevant authorities in 2020 that a fire certificate was not required for Sindora POM as it was not considered as designated premises as prescribed under the Fire Services Act 1988. On this premise, we also did not apply for fire certificates for Tereh POM and Sedenak POM.

When the Fire Services (Designated Premises) (Amendment) Order 2020 came into force in October 2020, we immediately initiated renewal applications for the fire certificates for our Palong Cocoa POM and Pasir Panjang POM, and made the necessary preparation to facilitate fire certificate application for our remaining 3 POMs. In December 2020 and April 2021, we received letters from the Fire and Rescue Department that these POMs are not designated premises under the Fire Services (Designated Premises) (Amendment) Order 2020, and as such, fire certificate is not required. Similar letter was also received for Sindora POM in May 2021. Subsequently in 2022, the Fire and Rescue Department informed us that we are now required to apply for fire certificates for all of our POMs.

A summary of the status of the application for and issuance of the fire certificates for our 2 POMs is as follows:

		Time frame	
No.	**POM**	**Submission of application for fire certificate**	**Issuance of fire certificate**
1.	Palong Cocoa POM	Submitted in February 2023	Issued on 8 June 2023
2.	Pasir Panjang POM	Submitted in May 2023	Issued on 20 November 2023
3.	Sindora POM(1)	Expected to be submitted by the 2nd quarter of 2024	Expected to be issued by the 3rd quarter of 2024
4.	Tereh POM	Submitted in December 2023	Expected to be issued by the 2nd quarter of 2024
5.	Sedenak POM	Submitted in December 2023	Issued on 27 February 2024

Note:

(1) We completed upgrading works at our Sindora POM in November 2023, and the application for fire certificate is expected to be submitted by the 2nd quarter of 2024.

The cost to rectify the non-compliance for our 2 POMs is estimated at approximately RM1.3 million, of which approximately RM1.2 million has been incurred as at the LPD.

In addition, we may be liable to a fine not exceeding RM50,000 (per designated premises) or imprisonment for a term not exceeding 5 years, or to both, pursuant to Section 33 of the FSA, which translates to a total potential maximum financial penalty of RM0.1 million. Collectively, the rectification cost and the potential maximum financial penalty totaling approximately RM1.4 million, represent 0.8% of our consolidated PAT for the FYE 2023.

(iii) Non-transfer of Visitor's Pass (Temporary Employment) ("Pass") of foreign workers

Section 55B(1) of the Immigration Act 1959/63 provides that any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but no more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such employee.

Section 55B(2) of the Immigration Act 1959/63 further provides that a Pass lawfully issued to any person shall cease to be a valid Pass when any of its terms and conditions is contravened. The notes of Form 12 of the Second Schedule of the Immigration Regulations 1963 prescribe that where the Pass has been issued for temporary employment, any changes in the employment for which it is issued must be with the written consent of the Controller of Immigration.

Pursuant to the Pre-Listing Restructuring, which was completed on 30 June 2023, we had acquired all the oil palm plantation operations, businesses and mills (together with the foreign workers), including all assets and liabilities, from Kulim and its group of companies. All foreign workers transferred to our Group by Kulim and its group of companies pursuant to the Pre-Listing Restructuring held valid Passes prior to the completion of the Pre-Listing Restructuring. As at the LPD, we have a total of 3,572 foreign workers, of which:

(i) 1,376 foreign workers have already been approved by the Ministry of Human Resources to be transferred to our Group and are awaiting the issuance of new Passes under our Group by the Immigration Department of Malaysia. As at the LPD, the Passes of 879 out of the 1,376 foreign workers have expired. We have been informed by the Immigration Department of Malaysia that the renewal application of the expired Passes may only be submitted after the new Passes registered under our Group have been issued;

(ii) 165 foreign workers are pending the approval by the Ministry of Human Resources to be transferred to our Group, after which, application will be made to the Immigration Department of Malaysia for the issuance of new Passes under our Group which is procedural in nature; and

(iii) 2,031 foreign workers have been issued with new Passes under our Group by the Immigration Department of Malaysia of which:

   (a) the Passes of 1,063 out of the 2,031 foreign workers are still subsisting; and

   (b) the Passes of 968 out of the 2,031 foreign workers have expired. We have been informed by the Immigration Department of Malaysia that the renewal application of the expired Passes may only be submitted after special passes have been obtained from the Immigration Department of Malaysia. We have submitted the application for special passes for all the 968 foreign workers to the Immigration Department of Malaysia.

The issuance of the new Passes for the above 2,509 out of 3,572 foreign workers (excluding the Passes issued to the 1,063 foreign workers which have not expired) under our Group by the Immigration Department of Malaysia is expected to be completed in stages by the 3rd quarter of 2026. Such estimated time frame was arrived at after taking into consideration the current rate of processing of our transfer applications by the Immigration Department of Malaysia.

The 165 foreign workers which are pending the approval by the Ministry of Human Resources to be transferred to our Group are not permitted to work for our Group and they remain under Kulim's workforce until such approval is obtained. In respect of the 1,376 foreign workers which have already been approved by the Ministry of Human Resources to be transferred to our Group and are awaiting the issuance of new Passes under our Group by the Immigration Department of Malaysia, we have obtained verbal clarifications from the Immigration Department of Malaysia that such foreign workers may continue to work pending the issuance of the new Passes by the Immigration Department of Malaysia.

In the case of the 968 foreign workers whose Passes have been issued under our Group but expired, the foreign workers may also continue to work as application for special passes have been submitted to the Immigration Department of Malaysia. It is unlikely for the Immigration Department of Malaysia to take enforcement action or impose penalties against our Group for failure to ensure that our foreign workers maintain valid Passes as we have taken the necessary actions to ensure that we obtain valid Passes for the foreign workers and are awaiting the issuance of valid Passes by the Immigration Department of Malaysia under our Group.

We anticipate to obtain the approval of the Ministry of Human Resources for the transfer of the remaining 165 foreign workers to our Group by the 3rd quarter of 2024. The estimated cost for issuance of new Passes under our Group for all the 2,509 foreign workers is approximately RM2.0 million (based on (i) the cost of application of RM200 per foreign worker for the transfer of foreign workers and issuance of Passes under our Group by the Immigration Department of Malaysia; (ii) the cost of application of RM100 per foreign worker for special pass from the Immigration Department of Malaysia; and (iii) the cost of application of RM840 per foreign worker for renewal of expired Passes from the Immigration Department of Malaysia), and is not expected to have a material impact on our financial condition as it represents approximately 1.2% of our audited consolidated PAT for the FYE 2023.

We may be liable to a maximum fine of up to approximately RM125.5 million (based on 2,509 foreign workers which are awaiting approval by the Ministry of Human Resources and pending issuance of new or renewed Passes by the Immigration Department Malaysia under our Group, and with a maximum fine of RM50,000 per worker) or imprisonment for a term not exceeding 5 years, or to both, pursuant to Sections 55B(1) and 55B(3) of the Immigration Act 1959/63.

The maximum fine of up to approximately RM125.5 million, if imposed, may have a material impact on our Group's financial condition as it represents approximately 75.0% of our Group's PAT for the FYE 2023. Notwithstanding this, the likelihood of the penalty being imposed is remote as such non-compliance arose as a consequence of the Pre-Listing Restructuring. Furthermore, application for the transfer of the remaining 165 foreign workers has been submitted to, and is currently being processed by, the Ministry of Human Resources and approval from the said Ministry is expected to be obtained by the 3rd quarter of 2024.

In the event that we fail to obtain the approval from the Ministry of Human Resources for the transfer of the remaining 165 foreign workers to our Group, these workers shall remain under the employment of Kulim. We do not expect to experience any shortage of labour due to the non-issuance of the new Passes or the unsuccessful transfer of the 165 foreign workers as:

(i) the sourcing of foreign workers has started to normalise since January 2023; and

(ii) we have implemented several initiatives throughout the year to reduce reliance on manual labour, such as increased mechanisation involving the use of mini tractor, scissor lifts or grabber for collection of FFB, bin system for speedy evacuation of FFB to the POMs, and smart manure spreaders for application of fertilisers in the field.

(iv) Express conditions in respect of land use

Sections 127(1) and 127(1A) of the NLC provide that upon any breach arising of any condition to which any alienated land is for the time being subject, the land shall become liable to forfeiture to the state authority, where the land administrator may make an order for the payment of a fine of not less than RM500, and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues.

Previously, 10 parcels (19.8 Ha) out of 20 parcels (2,108.4 Ha) of land in our Labis Bahru Estate (collectively, the "**Affected Lands**") were subject to an express condition on the land use. The Affected Lands, which may only be used to plant rubber trees, are being used to plant oil palm.

The application to vary the express condition on the land use for the Affected Lands to oil palm plantation had been approved by the Estate Land Board in May 2023 and the endorsement of the approved express condition on the issue documents of title of the Affected Lands was made in March 2024. Save for the cost incurred to rectify the non-compliance of RM70,376 (comprising land premium and cost of land surveyors) and the financial penalty (in respect of the Affected Lands) of RM11,750, which collectively represented less than 0.1% of our consolidated PAT for the FYE 2023, there were no other impact to our business operations and financial condition arising from the Affected Lands.

(v) Proceedings/actions taken by DOSH against our Company

Section 15(1) of the OSHA provides that it shall be the duty of every employer and every self-employed person to ensure, so far as is practicable, the safety, health and welfare at work of all his employees.

As at the LPD, save for the ongoing legal action initiated by DOSH against us for an accident which took place at our Sedenak POM on 28 May 2020, details of which are set out in Section 14.7 of this Prospectus, there have been no fines and penalties imposed or investigations conducted by any relevant authorities in relation to the said accident. The above legal proceeding initiated by DOSH against us was for breach of Section 15(1) of the OSHA for failing to ensure, as far as is practicable, the safety, health and welfare at work of our employee.

As at the LPD, the proceeding is still ongoing before the Johor Bahru Sessions Court, where the case management was held on 19 February 2024 and the trial dates have been fixed on 22 July 2024 to 25 July 2024. If we are found guilty, we can be fined up to a maximum of RM50,000 or to imprisonment for a term not exceeding 2 years or to both, pursuant to Section 19 of the OSHA. However, as we are a body corporate, pursuant to the provisions of Sections 52 and 56 of the OSHA, we are not subject to any penal penalties such as imprisonment, and are only subject to the imposition of a fine upon conviction.

It should also be noted that none of our directors, manager, secretary or other officers have to-date been charged with any offence in respect of the matter, and hence, they are not subject to any potential fine or term of imprisonment under Section 52 of the OSHA.

The potential financial penalty of RM50,000 represents less than 0.1% of our audited consolidated PAT for the FYE 2023 and is not expected to have a material impact on our financial condition.

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In addition to the aforesaid on-going legal proceeding involving the breach of Section 15(1) of the OSHA, DOSH has previously taken the following actions against us:

Date of accident / Summons no. / Location	Details	Status
22 March 2014 / 63-39-03/2015 / Sedenak POM	A legal proceeding was initiated by DOSH against us for breach of Section 15(1) of the OSHA due to bodily injury to an employee during machine installation work.	The legal proceeding has been resolved. We paid a fine of RM25,000 pursuant to the order of the Johor Bahru Sessions Court on 30 March 2015. We had also been compounded by DOSH for an offence under Regulation 12 of the Factories and Machinery (Safety, Health and Welfare) Regulations 1970 (Revised - 1983) for an amount of RM500, which had been settled on 16 March 2015.
28 March 2014 / 63-40-03/2015 / Sedenak POM	A legal proceeding was initiated by DOSH against our Company for breach of Section 15(1) of the OSHA due to hand injury suffered by an employee during machine maintenance work	The legal proceeding has been resolved. We paid a fine of RM15,000 pursuant to the order of the Johor Bahru Sessions Court on 30 March 2015. We had also been compounded by DOSH for an offence under Section 26(b) of the Factories and Machinery Act 1967 for an amount of RM2,500, which had been settled on 16 March 2015.

Further, the following fatal accidents occurred at our plantation estates and POMs during the past 10 years up to the LPD:

Date of accident / Location	Details	Status
25 August 2020 / Kuala Kabong Estate	Death of an estate worker of our sub-contractor due to head injury sustained from falling from trailer	DOSH had on 26 August 2020 issued a prohibition notice to prohibit the use of the trailer involved in the accident and an improvement notice for investigation and preparation of a report in respect of the accident. Subsequent to the issuance of the notices by DOSH, DOSH had on 26 August 2020 and 1 September 2020 confirmed that it was satisfied that any potential danger had been eliminated and rectified to its satisfaction. As at the LPD, there is no subsequent action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.

Date of accident / Location	Details	Status
22 October 2020 / Palong Estate	Tractor collision involving one of our estate workers	DOSH had on 24 October 2020 issued a prohibition notice to prohibit the use of the trailer tractor involved in the accident. Subsequent to the issuance of the notice by DOSH, DOSH had on 20 April 2021 confirmed that it was satisfied that any potential danger had been eliminated and rectified to its satisfaction. As at the LPD, there is no subsequent action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.
9 April 2019 / Sindora Estate	Tractor collision involving one of our estate worker	DOSH had on 10 April 2019 issued an improvement notice for investigation and preparation of a report in respect of the accident. Subsequent to the issuance of the notice by DOSH, DOSH had on 16 April 2019 confirmed that it was satisfied that any potential danger had been eliminated and rectified to its satisfaction. As at the LPD, there is no subsequent action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.
21 June 2017 / Tunjuk Laut Estate	Human-wildlife encounter involving one of our estate worker	There is no action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.
10 July 2014 / Pasir Logok Estate	Falling from trailer involving one of our estate worker	There is no action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.
17 April 2014 / Bukit Kelompok Estate	Falling from trailer involving one of our estate worker	There is no action or step taken and fine or imprisonment penalty being imposed by DOSH against our Group or our estate due to the accident.

Save for the ongoing litigation by DOSH against our Company for the accident at our Sedenak POM, none of the other fatal accidents above resulted in legal proceeding initiated by DOSH against us. In the past, the accidents on our plantation estates and POMs did not result in any material adverse impact on our business operations and financial condition.

We have implemented additional safety measures to further strengthen our control measures so as to prevent occurrence of similar accident. These measures include, among others:

(i) regular inspection of the condition of tools and equipment and/or replacement of electrical tools and equipment;

(ii) providing monthly training to workers on proper wearing of personal protective equipment and proper use of tools and equipment, and briefing to enhance workers' awareness on occupational health and safety issues, including past accidents and preventive measures; and

(iii) empowering workers to highlight and report unsafe acts and conditions observed at workplace, such as through our grievance reporting platform to their immediate superior, department head or health and safety officer, so as to enable our Group to implement additional precautionary measures

(collectively, the "**Safety Measures**"), in addition to existing control measures in place, including:

(a) regular safety training programmes for workers at every plantation estate to cultivate safety culture among workers, overseen by dedicated occupational, safety and health officers;

(b) regular announcements and circulars relating to standard operating procedures on workflow to safeguard employees' health and safety; and

(c) constant reminders of adherence to workplace procedures and safety measures through workplace safety posters.

Other than the Safety Measures and the existing control measures, the following processes are also carried out to prevent occurrence of similar accidents:

(i) conducting assessment and preparing report on compliance with requirements under OSHA and FMA every 2 months;

(ii) undergoing RSPO and MSPO external audit covering safety compliance aspects; and

(iii) performing validity checks on compliance aspects by our safety officers.

We have formed safety committee at our headquarters and at our respective business units to monitor the health and safety of our employees. These safety officers are responsible in benchmarking our safety and control measures against industry standards, identifying root causes and suggesting preventive measures as well as performing validity checks on our compliance with the relevant rules and regulations relating to occupational health and safety.

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A summary of the estimated rectification cost and the potential maximum penalty for all the above non-compliances is as follows:

Non-compliances	Estimated cost to rectify (RM'000)	Potential maximum penalty (RM'000)	Total (RM'000)
CCC for our Group's POMs and other Non-Essential Buildings have not been issued	9,910	53,750	63,660
Fire certificates for our Group's POMs have not been issued	1,333	100	1,433
Non-transfer of Pass of foreign workers	2,044	125,450	127,494
Proceeding/actions taken by the DOSH against JPG	40	50	90
			192,677

Based on the above, the total estimated rectification cost and potential maximum penalty of approximately RM192.7 million exceeds our Group's PAT for the FYE 2023. Out of this amount:

(i) approximately RM53.8 million relates to the penalty for the non-issuance of CCC for the Non-Essential Buildings. The likelihood of such penalty being imposed is remote as:

(a) steps will be taken by us to apply for CCC for the Non-Essential Buildings;

(b) a simultaneous enforcement on all the Non-Essential Buildings, resulting in forced closure of all of them at any one time as a result of failure to obtain a valid CCC, is reasonably remote given that the Non-Essential Buildings are scattered throughout approximately 60,000 Ha of our estate lands;

(c) it is a fairly common practice that CCC is not generally sought for buildings erected on agriculture lands as they are located outside the urban area;

(d) the local authorities in general have not taken a view to enforce the requirement of CCC on the oil palm plantations sector, and have provided written confirmations that they have no objection for us to continue our business operations at the premises provided that we are fully responsible for any claims against the local councils relating to disasters, accidents or losses caused by our Group; and

(e) it appears that the existing position is that it is not within the contemplation of the relevant authorities to broadly insist on the issuance of CCC in respect of existing old buildings erected on plantation/agricultural land. It is expected that as and when the local authorities plan to enforce the requirement of CCC for these buildings, consultations and views will be sought from the industry to align with the aspiration and common practices of the plantation industry; and

(ii) approximately RM125.5 million relates to the penalty for 2,509 foreign workers without valid Passes. The likelihood of such penalty being imposed is remote as such non-compliance arose as a consequence of the Pre-Listing Restructuring. Furthermore, application for the transfer of the remaining 165 foreign workers has been submitted to, and is currently being processed by, the Ministry of Human Resources and approval from the said Ministry is expected to be obtained by the 3rd quarter of 2024.

Save for the potential maximum penalty that may be imposed for the non-issuance of CCC for the Non-Essential Buildings and the foreign workers without valid Passes amounting to approximately RM179.3 million as set out above, the total estimated rectification cost and potential maximum penalty of approximately RM13.4 million is not material as it represented approximately 8.0% of our Group's PAT for the FYE 2023.

7.19.4 Compliance matters involving tax authorities

(i) Late registration for service tax by JPG Terrasolutions

The Service Tax Act 2018 requires any person who provides any taxable service to be registered for service tax if the total value of his taxable services has exceeded RM500,000 for the current month and the 11 months immediately preceding that month ("**12-Month Period**").

In February 2020, the Royal Malaysian Customs Department ("**RMCD**") issued the Service Tax Policy No. 8/2020 ("**Service Tax Policy**") which stipulated that effective from 1 January 2020, in respect of the provision of identified taxable services set out in Group G, First Schedule of the Service Tax Regulations 2018, where the value of taxable services provided to third parties is ascertained not to exceed 5% of the total value of the same taxable service provided to any company within the same group of companies (collectively, the "**Group Members**") within the 12-Month Period, no service tax shall be imposed on the services provided to the Group Members ("**Group Relief**").

In anticipation that the value of its taxable services provided to third parties is expected to exceed 5% of the total value of same taxable services provided to the Group Members, and thereby not qualified for the Group Relief, JPG Terrasolutions registered for service tax pursuant to the provisions of the Service Tax Act 2018 in December 2022.

Following inquiries by the RMCD in January 2023 and July 2023, JPG Terrasolutions was informed by the RMCD that it had failed to register for service tax when the Service Tax Act 2018 came into effect in September 2018, on the basis that the aggregate value of taxable services provided by JPG Terrasolutions to customers within and outside Kulim and its group of companies had exceeded the said RM500,000 threshold for the service tax registration. Consequently, there is late registration for service tax by JPG Terrasolutions as it has exceeded the RM500,000 threshold for service tax registration before the Service Tax Policy came into effect.

In view of the assessment of the RMCD, a tax liability amounting to RM137,583.31, being the total service tax payable by JPG Terrasolutions between September 2018 and November 2022 ("**Unpaid Service Tax**") has been imposed on JPG Terrasolutions. On 16 October 2023, JPG Terrasolutions has agreed with the RMCD to pay and settle the Unpaid Service Tax by participating in the Special Voluntary Disclosure Programme 2.0 without any penalty being imposed for late registration and payment for the service tax. The Unpaid Service Tax has been fully settled by JPG Terrasolutions on 18 October 2023.

As a result of the above, we have since taken measures to enhance the awareness of our employees overseeing tax matters of the latest updates on tax regulations and guidelines through training and briefing sessions, as well as seeking advice from tax consultant in order to ensure timely submission of service tax declarations and related payments moving forward. Further, our tax consultant opined that (based on the description of business activities carried out by our Group as represented by us), save for our Company and JPG Terrasolutions which are required and have already registered for service tax, none of the companies within our Group are anticipated to be at risk of non-registration for sales tax and service tax.

The above incident is not expected to have a material adverse impact to our business operations and financial condition as the Unpaid Service Tax is immaterial and represented less than 0.3% of our PBT during the Financial Years Under Review. In addition, save for settlement of the Unpaid Service Tax, no other penalty was imposed on JPG Terrasolutions and no other action was taken by RMCD against JPG Terrasolutions as a result of this incident. The said incident does not give rise to any corporate governance concern as it was a genuine oversight and we had taken proactive steps to engage with the RMCD to resolve the non-payment of service tax.

(ii) Tax audit by the Inland Revenue Board of Malaysia ("IRB")

On 26 October 2023, we received a letter from the IRB requesting for the submission of audited accounts, tax computation and other supporting documents for the FYE 2019 to FYE 2021 to facilitate the review of corporate income tax return forms filed by us. The relevant documents were submitted to the IRB on 29 November 2023.

On 7 December 2023, the IRB informed us that the ongoing tax audit will be extended to the FYE 2022, and we have submitted all the additional relevant documents requested to the IRB on 20 December 2023. The tax audit by the IRB is still ongoing as at the LPD.

7.20 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our vision is to be a progressive, efficient and respectable agribusiness company with a strong and sustained commitment to ESG practices. The overarching ESG themes that guide our initiatives are:

(i) delivering positive environmental impacts;

(ii) contributing to the community;

(iii) promoting transparency and accountability; and

(iv) safeguarding human rights.

7.20.1 Delivering positive environmental impacts

We have adopted an array of practices through which we seek for our business to have a positive impact on the environment and to inspire change and progress towards a lower carbon future.

(i) Renewable energy, waste management and carbon footprint reduction

The most significant contributors to our greenhouse gas footprint are emissions from historical land clearing for planting and methane produced by POME. We seek to mitigate the impact of such actions by setting aside conservation areas that sequester carbon, and using or selling the majority of our milling by-products.

During the Financial Years Under Review, we produced 95,035 MT, 88,919 MT, 91,563 MT and 87,411 MT of PK shell respectively, most of which was used internally for power and steam generation, with 20.7%, 18.4%, 20.4% and 15.7% sold to third parties respectively.

As a biomass distributor, we sell the remainder of our PK shell and EFB to third parties who use them for renewable energy generation. Please refer to Section 7.4.1.2(ii) of this Prospectus for details on our renewable energy processing and Section 7.2.4 of this Prospectus for details on our sustainable plantation practices and renewable energy initiatives.

(ii) Chemicals and pesticides use reduction

We have a two-pronged approach to reducing the use of chemical and pesticides in our business. We utilise an integrated pest management system such as barn owls and beneficial plants to manage pests, and cattle grazing as a natural weeding method that also improves soil fertility, recycles nutrients, and reduces chemical usage when compared to the use of chemical herbicide. We seek to limit our pesticide use where possible, and pesticides that are used are selected and applied in ways that aim to limit possible harm to humans, non-target organisms and the environment.

(iii) Water management

We are cognisant that FFB harvesting and CPO production entails heavy water usage, and we have implemented water management practices. We monitor our water use by recording the water consumption of our mills to track our yearly consumption.

We have set a target to reduce our water intensity consumption in our operations to 1.2 m^3 per MT of FFB. We have continued to meet our target of remaining below 1.2 m^3 per MT of FFB for the Financial Years Under Review.

We harvest rainwater through 27 water catchments for use in our operations and to supply potable water to our workers' quarters on our plantation estates. We use manuring pits to capture and re-channel water runoff from our plantation estates, which reduces soil erosion and recycles surface water runoff.

(iv) Conservation and biodiversity

Our plantation estates are adjacent to forested regions with diverse ecosystems. Our environmental management practices aim to limit environmental impacts of our operations and focus on conserving Malaysia's natural habitats.

Since 2014, we have enforced a strict no-deforestation stance and continue to monitor deforestation activity monthly as part of our supply chain monitoring commitment. The monitoring covers our buffer zone boundary along forest reserve areas. We did not detect any evidence of deforestation within our limits in our December 2021 and December 2022 routine annual tracking. In 2022, we began monitoring our supply base deforestation on the Global Forest Watch, an open-access website that allows us to detect deforestation in our operations and suppliers' operations.

We have made a 'no deforestation' commitment. This commitment means that we will avoid new developments in areas of primary forest classified as high carbon stock and in areas containing one or more high conservation values. We conduct a high carbon stock assessment for each of our proposed new developments to understand the potential impact of proposed forest clearing or conversion activity that we may pursue.

We conducted high conservation value assessments in 2013 and 2017 to take into account biodiversity, conservation, and maintenance by identifying, protecting and maintaining the high conservation value of these areas, protecting cultural heritage and customary land use, and the capacity of the land to sustain the proposed agricultural activities. We conducted both high conservation value and high carbon stock assessments in 2017 and will continue to implement international best practices in the identification and management of high conservation value areas following the RSPO Principles and Criteria 2018.

As at the LPD, we maintain the identified 1,131.1 Ha as high conservation value areas and 276.3 Ha as conservation areas. We follow the RSPO criteria and manage and enhance biodiversity through our high conservation value management and monitoring plans. We have buffer zones at significant water bodies in and around our estates and next to forest reserves. We monitor identified hotspot areas within the vicinity of our operating units and any intruder encroachment into the conservation areas or hotspots. Hunting, fishing, and taking fauna within our estates and adjacent protected areas are strictly prohibited. Our Environmental and Biodiversity Unit collates and analyses ecological and wildlife data and focuses on biodiversity protection and pollution control.

We have conducted the national corridor initiative since 2017 to initiate passages that facilitate the free movement of wildlife thereby contributing to sustained, viable populations. We have annual tree planting events to help fragmented natural wildlife habitats in areas of high population density. We have built a reservoir home to a variety of wildlife, including 2 species of migratory birds in the high conservation value category.

We implement conservation and biodiversity management plans alongside our forest clearing and conversion plans in an effort to mitigate the environmental impacts of the clearing or conversion programme and preserve cultural heritage and traditional land uses to the extent possible.

We are committed to protecting peatlands. As at the LPD, only 1,366 Ha out of 55,904 Ha or approximately 2.4% of our total planted area are located on peat.

7.20.2 Contributing to the community

We contribute to our surrounding community and the wellbeing of our employees through our socioeconomic initiatives and engagements with our workforce.

(i) Smallholder inclusion programmes

We actively engage smallholders in Malaysia to help them gain MSPO and RSPO certifications and provide them with advisory and technical support through our smallholder inclusion programme. Many of these smallholders lack the resources or technical expertise necessary to produce FFB sustainably on their own.

Our Sustainability Department conducts annual RSPO awareness programmes that are available for all our smallholders and engages them in relation to RSPO compliance. Such smallholders can also gain a better understanding of how to develop better agricultural practices and efficient palm-growing techniques. The participants benefit from economic incentives arising out of being RSPO compliant such as premium pricing and improvements to their farm yields.

As at the LPD, 3 out of our 29 external crop suppliers have been certified by RSPO. Currently, the majority of the FFB that we obtain from third parties is not RSPO-certified, and our ability to produce certified sustainable palm oil is determined by the amount of RSPO-certified FFB that our plantation estates can produce and the limited amount of RSPO-certified FFB that we are able to purchase from smallholders and other third parties. Against this backdrop, we believe that these sourcing initiatives demonstrate our commitment to bolstering our production of traceable and sustainable palm oil products going forward.

(ii) Corporate social responsibility programme

Our community engagement and investment programmes represent our commitment to providing focused and practical support to local communities in need while instilling an ethos of volunteerism in our employees.

During the COVID-19 pandemic, we converted our training centre into a self-quarantine zone, distributed food baskets and shopping vouchers to our employees, donated masks, disinfectant sprays, sanitisers and other safety and hygiene products and equipment to communities in Johor, donated meals and beverages to frontline workers and made monetary contributions to hospitals and non-governmental organisations.

We are committed to supporting education initiatives that prioritise the well-being and advancement of children and students in our communities. Our focus lies in fostering learning opportunities, especially within the areas where we operate. We incurred approximately RM1.2 million per annum during the Financial Years Under Review on various initiatives under the education pillar of our corporate social responsibility programme.

7.20.3 Customer satisfaction through quality and safety

Customer satisfaction and feedback are essential for us to improve the quality of our products and services. We implemented a product quality policy based on standards set by the International Organization for Standardisation. RSPO and the MSPO. Our quality policy covers our processes for certified sustainable palm oil production and palm oil and PK oil extraction, beginning as early as the research and development stage where we focus on cultivating oil palm seeds with better yields. We use a grading system to improve our FFB harvesting outcomes, including FFB ripeness standards grading criteria. Please refer to Section 7.13 of this Prospectus for further details of our quality assurance procedures.

7.20.4 Promoting transparency and accountability

We continuously promote transparency with all stakeholders while establishing a strong compliance culture within our organisation.

(i) ESG governance

Our ESG framework outlines our strategic vision and objectives, and serves as the roadmap to further embed our existing obligations into the core of our operations. Our 4 ESG themes are:

(a) to deliver positive environmental impacts through leading sustainability practices;

(b) to contribute to the community through socio-economic initiatives and people engagements;

(c) to promote a culture of accountability and transparency within the organisation; and

(d) to safeguard human rights and have zero tolerance on labour exploitation.

The following are our 4 overarching ESG targets:

(a) to halve greenhouse gas emissions by 2025 with net zero aspirations by 2050;

(b) to adopt environmental and labour best practices based on international standards;

(c) to build a stronger community and create positive social impact; and

(d) to continuously enhance governance and ethics in line with industry best practices.

The foundation of our organisational culture is accountability and transparency within our Group and with our shareholders, customers, suppliers, and other stakeholders.

We are committed to achieve and uphold high standards of corporate governance and ethical conduct in accordance with the principles and practices of corporate governance as set out in the MCCG.

Our Board is committed to high standards of professionalism, honesty, accountability, integrity, and ethical behavior in the conduct of our business and operations. Our Board, including our Board Sustainability Committee, oversees our sustainability initiatives. Our Sustainability and Innovation Department is responsible for implementing, reviewing, and planning sustainability-related initiatives on a day-to-day basis.

We have adopted an Anti-Bribery and Anti-Corruption Policy and Guidelines in compliance with the Malaysian Anti-Corruption Commission Act 2009. We are committed to a zero-tolerance approach to corruption and bribery within our Group as well as any third parties dealing with us. We conduct annual trainings on anti-corruption policy compliance for our employees.

We have also put in place the Whistleblowing Policy and Procedures to promote and maintain compliance with the Whistleblower Protection Act 2010. We provide multiple avenues for employees and other internal and external stakeholders to report wrongdoing or improper conduct. Our employees are also able to raise grievances through our Women OnWard Programme.

(ii) Stakeholder engagement and reporting

We maintain an open stakeholder dialogue to effectively identify concerns and react promptly. These stakeholders include our employees, workers, investors and business partners, industry peers, communities, suppliers, customers, regulators, unions, and the media.

(iii) Supply chain management

Understanding the source of our raw materials helps us to identify and address environmental and social risks. The majority of the palm oil products that we produce and sell are highly traceable. For these products, we track each step of the FFB production process, which results in our own FFB processed in our POMs being traceable to our plantations. Our tracing process using the RSPO PalmTrace traceability system allows us to register our physical sales and processing activities of CPO and PK sold to the market. We have been undertaking a traceability information gathering exercise with all our FFB suppliers in relation to supplier plantation traceability since 2021.

We require our suppliers to permit us to conduct site visits during the vendor registration process and implement site registration processes and annual assessments on an as-needed basis. These performance appraisals allow us to measure our suppliers against our own sustainability policy commitments.

We monitor our supply base from time to time for deforestation through Global Forest Watch, a satellite detection programme that allows us to detect deforestation in our operations and suppliers' operations.

Our vendor and contractor onboarding process includes engagement sessions where we brief our new partners on compliance with certifications and company policies, including our anti-bribery management protocols. We require our vendors to agree to our vendor code of business ethics and all vendors are briefed on workers' and human rights compliance annually through our stakeholder meetings. Our contract agreements with our vendors prohibit human rights violation including use of child labour and require them to report any non-compliance issues to our Supply Chain Department. We have the right to terminate their contract in case of non-compliance.

7.20.5 Safeguarding human rights

The safety and wellbeing of our workforce is our top priority. We place great emphasis on safeguarding human rights and maintain zero tolerance on labour exploitation. We expect the same from our suppliers.

(i) Well-being of our workforce

We respect the rights of labour and basic human rights. Our employment practices are guided by the International Labour Organization core conventions and the principles of the Universal Declaration of Human Rights. We conduct annual social impact assessments to assess and improve the welfare and living standards of our employees, contractors and local communities. We believe in the principle of equal pay for equal work. Salaries are based on predefined grades that apply to our entire workforce.

We provide our workers on our plantation estates with free housing, subsidised water and electricity facilities for estate houses, insurance coverage and children's day care facilities. We also offer medical assistance, including coverage of treatment costs, transportation, and admission cost for all employees. Every worker is given a copy of their employment contract in their primary language with clear notice period guidelines.

We strictly adhere to international child labour laws throughout our operations and do not sanction the employment of labour below 16 years old. To support this, we relay the importance of education for children among families living at our plantation estates by providing access to schools and other amenities.

In 2021, we partnered with one of our customers and its key customer, as well as a non-profit technical services provider, the Earthworm Foundation, on the following programmes to evaluate and improve labour conditions for our employees:

(a) labour transformation programme, which is an engagement framework developed by the Earthworm Foundation that uses an employee survey and scoring methodology to assess our current plantation and POM labour practices. As part of the labour transformation programme, we reviewed our employee contracts, wages and working hours, grievance mechanisms, rights to free movement, rights to free association, and health and safety. We also conducted site visits to our workers' accommodation; and

(b) ethical recruitment programme, which is based on the Earthworm Foundation's Ethical Recruitment Human Rights Due Diligence framework. Through the programme, we evaluated our recruitment practices in our foreign workers' home countries, fees that we pay to locate and hire foreign workers, our labour contracts, and the rights of our foreign workers during their employment in Malaysia.

(ii) Occupational health and safety

The safety and health of our employees is our top priority. We are required to comply with a range of health and safety laws and regulations that are designed to protect our employees. In order to comply with these laws and regulations, we have developed standard operating and maintenance procedures and are required to maintain records and report data on a timely basis. We review our occupational and health and safety standards annually. Our operations are subject to inspections by governmental authorities periodically throughout the year.

We are guided in safety and health matters by our Occupational Safety and Health Policy which applies not only to our employees but also to our visitors, customers, and contractors on our premises. Each of our plantation estate and POM has a dedicated Occupational Safety and Health committee and an Occupational Safety and Health coordinator responsible for organising safety training programmes and conducting quarterly Occupational Safety and Health meetings. The Occupational Safety and Health officer also investigates any accidents that occur and reports back to the chairperson.

To protect the health and well-being of our employees especially in high-risk plantation operations, we train and brief our employees on aspects of safety and health every year. Strict supervision and the continuous improvement of processes are salient in our approach towards maintaining high occupational safety and health standards, which are based on applicable laws, regulations, our Code of Practice, and our Occupational Safety and Health Policy.

We believe that accidents and occupational health hazards can be reduced through systematic analysis and control of risks. We conduct a comprehensive occupational, safety and health risk assessment process where we engage with our workers to hear their concerns. We set internal targets and performance indicators to monitor our effectiveness and continuity in meeting internal benchmarks set for occupational safety and health. We have set key performance indicators to cultivate the safety culture amongst our employees.

We evaluate our safety performance by monitoring our lost time accident rate (which measures the number of work-related injuries resulting in time away from work) and severity rate (which measures the number of lost workdays as compared to the total man-hours worked). A lost time accident rate or severity rate which exceeds our internal target would require us to enhance our workplace safety needs and implement additional preventive measures, where necessary. The table below provides our key safety indicators for 2020 to 2023:

	Target	2020	2021	2022	2023
Lost time accident rate	Less than 10	1.5	1.0	1.4	1.4
Severity rate	Less than 3.5	1.5	2.9	2.4	*5.2
Fatality	0	3	0	0	0

Note:

* Our severity rate increased to 5.2 in 2023 mainly due to the increase in less experienced workers that we hired towards the end of 2022. Their limited work experience had resulted in more severe work-related injuries in 2023 which required them to take longer medical leave. In contrast, the experienced workers that we employed in prior years had less severe work-related incidents in 2023 and therefore required shorter recovery time. To that end, we have implemented preventive measures such as safety training and briefing for these workers, and we expect a reduction in our severity rate going forward as they gain more experience over time.

Please refer to Section 7.19.3(v) of this Prospectus for the further details of the 3 fatal accidents at our plantation estates and POMs during 2020.

(iii) Recruitment of foreign workers

We care for the welfare of our foreign workers in our plantation estates and provide them with equal rights and benefits on par with local Malaysian workers. This includes equal wages, housing, access to free clinics, health benefit plans, and the same Social Security Organisation scheme as local employees.

We invest in our relationships with our foreign workers' home villages and communities through conducting outreach programmes with our foreign workers' family and friends. We provide mobile phone access for them to maintain connections with their family while our workers are away from their loved ones. We seek to maintain contact with our former workers when they return to their home villages for good, and also assist with their transition to life back in their home countries.

We adopt a "zero recruitment cost" approach to hiring our foreign workers. We do not pass on any of our recruiting or hiring costs (including fees paid to recruiting agencies) to our foreign workers, and we do not deduct any such costs or fees from our workers' wages and benefits. We seek to protect the freedom and privacy of our foreign workers. For example, we provide lockers for our workers to safely store their passports and other personal belongings.

(iv) Workforce diversity

We cultivate a diverse and inclusive workplace throughout our operations and management by promoting equal opportunities regardless of age, ethnicity, gender, nationality, minority group, sexual orientation, physical ability, religious and personal beliefs.

We are particularly focused on addressing the gender imbalance that has been prevalent among agribusinesses in the past. As at the LPD, 21.3% of our management and professional-level employees (23 out of 108), and 30.0% of our Board (3 out of 10) are women. There is, however, still potential to increase female representation throughout our Group.

Our Women OnWard Programme seeks to empower our female workforce. A dedicated Women OnWard unit is established in each of our plantation estates and is intended to serve as a safe space for women to voice gender-related concerns.

GLENAUK ECONOMICS

glenauk.com

Date: 23 May 2024

The Board of Directors,
Johor Plantations Group Berhad
(formerly known as Johor Plantations Berhad)
Level 11, Menara KOMTAR
Johor Bahru City Centre

Johor, Malaysia

Dear Sir or Madam,

Independent Market Research Report on the Oil Palm Industry for Johor Plantations Group Berhad (formerly known as Johor Plantations Berhad) ("JPG")

We Glenauk Economics Sdn Bhd ("Glenauk Economics") have prepared this Executive Summary of the Independent Market Report ("IMR Report") on the Oil Palm Industry for inclusion in JPG's Prospectus ("Prospectus") in relation to its initial public offering and listing on the Main Market of Bursa Malaysia Securities Berhad.

We are aware that this Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this Report to be updated for the changes and, where applicable, cause JPG to issue a supplementary prospectus, or withdraw our consent to the inclusion of this Report in the Prospectus.

Glenauk Economics has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective which may not necessarily reflect the performance of individual companies in the industry. Glenauk Economics shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. The IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in the IMR Report or otherwise.

For and on behalf of Glenauk Economics:

Julian McGill
Managing Director

Dr Julian McGill completed his M.A. in Economics at the University of Edinburgh and his PhD at the University of Oxford. He is an economist focusing on the economics of crops, agricultural commodities and their value chains. A globally recognized authority on the economics of the oil palm, he is regularly quoted in both local and international media and is a sought-after speaker at conferences and management meetings.

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Introduction

Johor Plantations Group Berhad ("JPG"), formerly known as Johor Plantations Berhad, is an upstream Malaysian oil palm plantation company. Its primary business is the growing, harvesting and processing of Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO) and Palm Kernels (PK).

The main factors determining the profitability of JPG are their CPO yield and the Malaysian CPO price. In addition, JPG is subject to the wider risks and opportunities inherent in the Malaysian palm oil and wider global vegetable oil sector.

To evaluate these market factors, this report is divided into four sections:

1. We **benchmark JPG** and their competitive landscape, market size and share.
2. We address **the outlook for CPO prices**, based on supply and demand**.**
3. We discuss the **prospects of the Malaysian oil palm plantation industry**.
4. We review the **industry risks and challenges**, with a particular focus on sustainability.

Benchmarking JPG

JPG accounts for a small share of the area under oil palm in Malaysia and Johor. As Table 1 demonstrates JPG accounts for around 1.0% of the planted and mature area under oil palm in Malaysia. In the state of Johor – where 22 out of 23 of its estates are located – it accounts for 8.1% of the area. In Pahang where there is only one estate, JPG share of both planted and mature area is a negligible 0.2%.

Area under oil palm in Malaysia is split between smallholders and estates, with 26.4% of planted area under smallholders in 2023. Smallholders are defined in Malaysia as farmers owning less than 40.46 hectares (100 acres) of land. JPG is an estate operator (though it buys some crop from smallholders). JPG accounts for 1.0% of the total planted area in Malaysia, and 1.3% of the area under estates. In Johor state, JPG accounts for 13.6% of the area under estates.

Table 2 examines JPG's share of output in 2023. We distinguish between FFB output (which is the production of FFB on JPG's estates), the processing of FFB (which includes crop purchased from other entities, such as smallholders) and the share of CPO (which is produced from milling the FFB). In all three cases we can see that JPG accounts for 1.4-1.6% of Malaysian output and only around 9-12% of production in the state of Johor.

Based on the above JPG accounts for a small share of the market. JPG is a price taker with a large potential market into which it can sell its products.

Table 1: JPG's share of planted, mature and estate area, 2022/23

State	Share	Planted Area (ha)	Mature Area (ha)	Area under estates (ha)
Malaysia	JPG	55,904	52,098	55,904
	Total	5,652,569	5,130,172	4,156,043
	%	1.0%	1.0%	1.3%
Johor	JPG	54,348	50,571	54,348
	Total	670,862	624,369	400,716
	%	8.1%	8.1%	13.6%
Pahang	JPG	1,556	1,527	1,556
	Total	746,070	681,200	482,723
	%	0.2%	0.2%	0.3%

Source: Malaysian Palm Oil Board (MPOB) Johor and Pahang Estate area 2022, rest 2023. JPG's data is for 13 May 2024. Estate area excludes smallholders.

Table 2: JPG's share of FFB and CPO output, 2023

State	FFB Output (tonnes)	FFB Processed (tonnes)	CPO Output (tonnes)
Malaysia	81,005,416	94,952,547	18,551,950
Johor	10,870,264	14,901,292	2,858,351
JPG	1,304,153	1,361,753	270,900
Share of Malaysia	1.6%	1.4%	1.5%
Share of Johor	12.0%	9.1%	9.5%

Source: JPG and Malaysian Palm Oil Board (MPOB)

While JPG accounts for a small share of area and output, from an agronomic point of view the estates are close to the ideal size. Once plantations expand above 60,000 hectares there are significant diseconomies of scale and additional layers of management required. Tables 3 benchmarks JPG's performance against its Malaysian peers. We have compared JPG with two similar sized medium plantation companies (United Plantations Berhad and Boustead Plantations Berhad) as well as the largest Government linked plantation companies (Sime Darby Plantation Berhad and FGV Holdings Berhad). We find that JPG has:

- The second highest Fresh Fruit Bunch (FFB) yield after United Plantations Berhad, who are regarded as the world's best managed plantation with excellent conditions for oil palm.
- The second highest Crude Palm Oil (CPO) yields after United Plantations Berhad, which is the most important single indicator of performance for a plantation company.

Table 3: Benchmarking JPG against its peers

Company	*Year*	*Mature Area (ha)*	*FFB Yield (t/ha)*	*OER (%)*	*CPO Yield (t/ha)*	*Revenue '000 RM/ha*	*Profit '000 RM/ha*
JPG	*2021*	*51,510*	*20*	*20.8%*	*4.2*	*30.1*	*6.7*
	2022	*50,294*	*22*	*20.3%*	*4.5*	*33.5*	*9.5*
	2023	*52,125*	*20*	*19.9%*	*4.0*	*24.0*	*3.2*
United Plantations Berhad (Malaysia)	*2021*	*33,787*	*29*	*21.8%*	*6.3*	*32.3*	*12.5*
	2022	*34,828*	*28*	*21.4%*	*6.1*	*35.5*	*13.0*
	2023	*34,689*	*29*	*21.8%*	*6.3*	*31.0*	*16.7*
Boustead Plantations Berhad	*2021*	*67,969*	*13*	*21.2%*	*2.8*	*15.4*	*3.6*
	2022	*65,594*	*13*	*20.6%*	*2.7*	*17.9*	*9.0*
	2023	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Sime Darby Plantation Berhad (Malaysia)	*2021*	*256,831*	*19*	*21.0%*	*3.9*	*17.4*	*1.8*
	2022	*253,129*	*14*	*20.0%*	*2.8*	*17.8*	*1.3*
	2023	*256,381*	*17*	*20.4%*	*3.4*	*16.4*	*3.0*
FGV Holdings Berhad (Malaysia)	*2021*	*279,655*	*14*	*20.6%*	*3.0*	*29.8*	*5.7*
	2022	*282,807*	*15*	*20.4%*	*3.0*	*42.8*	*7.5*
	2023	*270,486*	*14*	*20.7%*	*2.8*	*40.0*	*0.7*
Johor State Average	*2021*	*652,568*	*18*	*19.8%*	*3.5*	*N/A*	*N/A*
	2022	*631,478*	*18*	*19.6%*	*3.5*	*N/A*	*N/A*
	2023	*624,369*	*17*	*19.2%*	*3.3*	*N/A*	*N/A*

Source: JPG, Malaysian Palm Oil Board (MPOB), Annual Reports and Investor Presentations. Where possible we have shown only Malaysian production. FGV Holdings Berhad revenue includes significant volumes of external FFB. As Boustead Plantations Berhad was delisted in January 2024, data is only until 2022.

JPG performs well in terms of revenue per hectare and profitability per hectare. From 2021 to 2023 profitability per hectare was second only to United Plantations Berhad. Profitability is closely linked to yields. What determines the relatively strong performance of JPG in terms of yields?

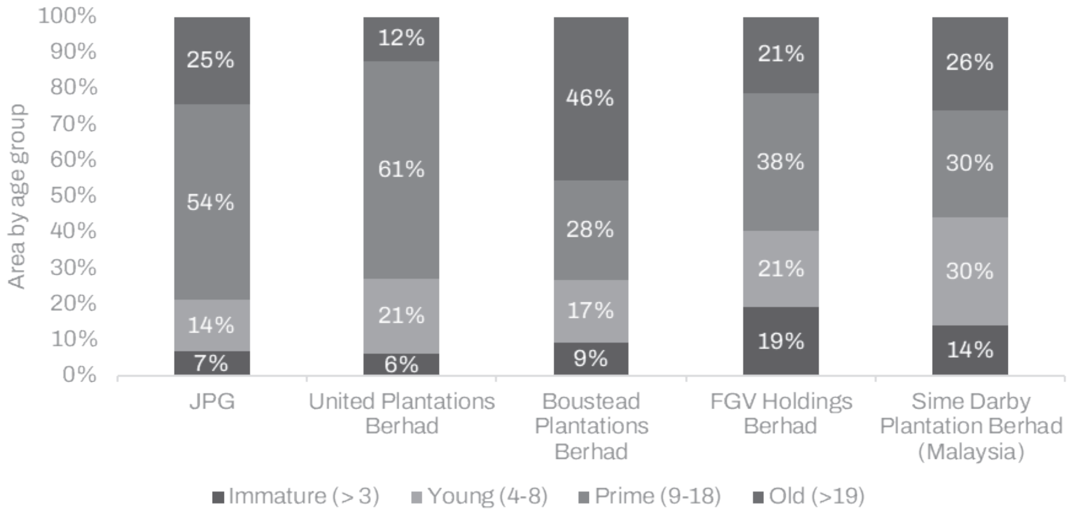
- The output from oil palm trees depends in part on their **age profile**. As oil palm trees become taller harvesting become increasingly difficult and yields decline. Best practice in plantation companies is to begin replanting trees after 20-25 years. However, the high capital outlay and absence of revenue during the three-year period of immaturity, while waiting for the young oil palm trees to come into production, means companies often fail to replant. Diagram 1 shows that JPG has a favourable age profile suggesting good discipline in terms of replanting. Once again, only United Plantations Berhad has a higher share of mature area in prime condition.

- To achieve high yields in oil palm operations requires **disciplined management**. This includes ensuring that only high-quality materials are planted, that access to the estates and trees is unimpeded, that the trees receive their required nutrients, that ground cover is well maintained, that excess fronds are pruned and pest and diseases are monitored and kept under control. FFB harvested from the trees need to be processed within 24 hours requiring consistent harvesting rounds, well maintained roads and co-ordination between the mill and field. The natural seasonal variability in output and potential for heavy rainfall in the tropics adds to the challenges of ensuring prompt milling. Only if all tasks are performed consistently can a plantation hope to obtain high yields from its land, requiring that plantation managers combine agronomic, logistical and engineering excellence all while dealing with potential disruption from the weather.

- Another central element of a successful plantation company is the **management of workers**. Oil palm estates in aggregate require large numbers of workers almost all of which in Malaysia are migrant workers. While most tasks on the plantation are low skilled, bunch cutting is a highly skilled task. Having sufficient workers for bunch cutting is critically important to ensure that the FFB are harvested from the oil palm trees. JPG has managed to develop long term relationship with workers from Java and Lombok who chose to return to work at JPG. Being able to attract and retain these workers, is crucially important for plantations today.

- JPG also benefits from their own **in-house seed production**. This ensures both that the quality of seedlings is high and that the trees are adapted to the same climatic and soil conditions as the progeny of palms which have thrived in the same conditions. (It also generates additional revenue through the sale of germinated seeds).

Diagram 1: Area by age profile for JPG and its peers

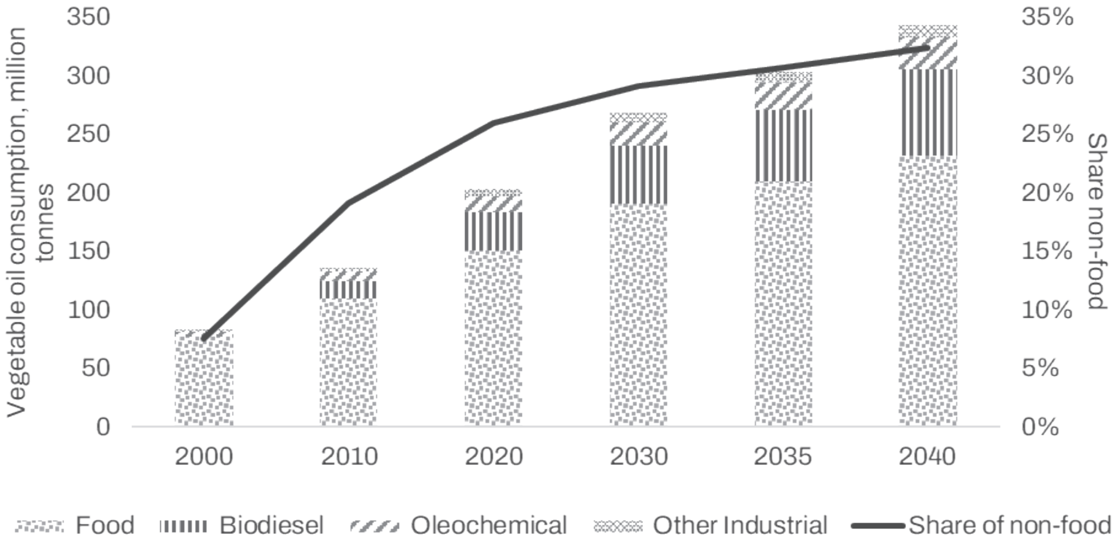


Source: Company Annual Reports and Investor Presentations. Note for Boustead Plantations Berhad's data is for 2022, prior to delisting in January 2024. Boustead Plantations defines Young is defined as 4-9 years and prime as 10-20. For FGV Holdings Berhad, prime is defined as 9-20 years. Data for JPG is for 13 May 2024.

The Outlook for Crude Palm Oil (CPO) price

To understand the outlook for the CPO price we need to place the oil palm into the wider supply and demand balance for vegetable oils. This is due to the fact, that there is substantial substitution between different vegetable oils based on price. As a result, palm oil is always competing for market share with the other major oil crops (soybean, rapeseed and sunflower).

Diagram 2: Global vegetable oil consumption by main end use, 2000 to 2040



Source: Glenauk Economics

Table 4: Global vegetable oil consumption by end use 2000 to 2040, million tonnes

End Use	2000	2010	2020	2030	2035	2040	CAGR 2000-2020	CAGR 2020-2030	CAGR 2030-2040
Food	77	110	151	191	210	232	3.4%	2.3%	2.0%
Biodiesel	0	15	32	50	60	73	33.4%	4.5%	4.0%
Oleochemical	4	8	14	20	24	27	6.2%	3.8%	3.0%
Other Industrial	2	3	7	9	10	10	6.5%	2.1%	2.0%
SUM	**83**	**136**	**204**	**269**	**304**	**344**	**4.6%**	**2.8%**	**2.5%**

Source: Glenauk Economics

Demand for vegetable oils

We separate demand into four different main end-uses:

1. In all cultures and countries, **food use** of vegetable oils increases with higher incomes. In part this is due to an almost universal preference for frying foods which enhances flavour and texture. Increased urbanization also results in greater consumption of processed food, as well as food from restaurants, both of which use more vegetable oil.

2. **Biodiesel use** refers to the use of vegetable oils in transport fuel predominantly in the form of Fatty Acid Methyl Ester (FAME) or Renewable Diesel (RD) blended with diesel. This demand is supported by government mandates in the European Union and the United States as well as in South East Asia and Latin America. While electrification of vehicles and reduced diesel consumption will temper the use of biodiesel in road transport, ambitious targets for Sustainable Aviation Fuel (SAF) will increase demand out to 2040. While the focus is on low carbon feedstocks, such as waste, the limited supply of waste will mean increased use of vegetable oils to meet the targets. This is particularly noticeable in the US where soybean oil is expected to be

diverted in large quantities to Renewable Diesel (RD) and Sustainable Aviation Fuel (SAF) production.

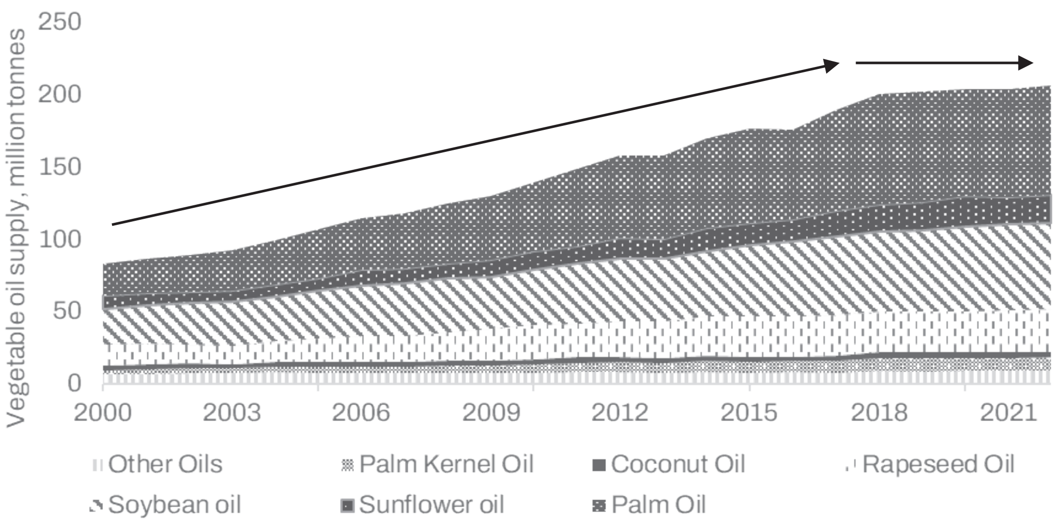
3. **Oleochemical demand** grows with GDP per capita, alongside consumer's willingness to spend more on home and personal care products.
4. **Other industrial uses**, are predominantly feed for which vegetable oils are a cost effective source of calories. As meat consumption increases, the livestock industry requires more oil.

Supply of vegetable oils

Historically the substantial growth in demand for vegetable oils was met by increased volumes of palm oil, principally from Indonesia. Diagram 3, demonstrates, however, that since 2019 vegetable oil supplies have stagnated as palm oil output has stopped growing.

The reason for this is a slow-down in planting in Indonesia, shown in Table 6. Sustainability pressures and difficulties finding appropriate land have made planting oil palm increasingly difficult. The slowdown in area growth has been coupled with stagnant to declining yields causing output to plateau.

Diagram 3: Global vegetable oil supply by main crop, 2000 to 2023



Source: Glenauk Economics

Table 5: Forecast of global vegetable oil supply by main crop to 2040, million tonnes

Crop	2000	2010	2020	2030	2035	2040	CAGR 2000-2020	CAGR 2020-2030	CAGR 2030-2040
Palm Oil	22	47	74	84	90	96	6.3%	1.2%	1.4%
Soybean oil	25	39	59	83	103	129	4.4%	3.5%	4.6%
Sunflower oil	9	12	21	27	30	33	4.2%	2.6%	2.0%
Rapeseed Oil	15	23	28	36	41	46	3.4%	2.5%	2.4%
Palm Kernel Oil	3	6	9	10	11	12	6.0%	1.2%	1.4%
Coconut Oil	3	3	4	4	4	4	0.5%	0.7%	0.5%
Other Oils	7	8	9	10	10	11	1.6%	0.4%	1.1%
SUM	**83**	**139**	**204**	**254**	**290**	**332**	**4.6%**	**2.2%**	**2.7%**

Source: Glenauk Economics

The slowdown in expansion of palm oil production, means that growth will have to come from other oil crops. Though both sunflowerseed and rapeseed have seen strong yield growth, this is now slowing and there is limited scope for area expansion due to agronomic constraints. Both sunflowerseed and rapeseed are pressing against their limits in terms of suitable land as well restrictions as to the frequency with which they can be included in the crop rotation. (Planting either crop too frequently, without a break crop, results in disease outbreaks). The growth in vegetable oil output therefore will rely on soybean oil. In order to encourage the further expansion of area under soybean in Brazil, however, will require higher vegetable oil prices to compensate Brazilian farmers for the high cost of transportation and oversupply of soybean meal as a co-product.

Supply and demand of palm oil

Table 6 demonstrates that after a period of very rapid growth from 2010 to 2020, palm oil production is forecast to slow.

- The main slowdown will be in **Indonesia** where limits to area expansion have meant much slower output growth.
- **Malaysia**, the second-largest producer, will see no growth up to 2030 as it continues to deal with labour shortages, underinvestment in maintenance, over-age trees and the spread of Ganoderma.
- Other countries are seeing faster growth in palm oil production, albeit from a low base. **Thailand** will continue to see replanting of rubber to oil palm, helping lift its production, more of which will be exported. It is likely that oil palm area will also expand in the **southern Philippines** which is climatically similar to Southern Thailand.
- **Latin America** – notably Colombia as well as Brazil – will continue to expand production but have limited area available and very high labour costs which prevents the industry from growing very quickly.

As replanting accelerates over the next 5 years that will mean that output growth improves slightly from 2030 to 2040, though growth will remain far below historical levels.

Table 6: Forecast of global palm oil supply by main producer to 2040, million tonnes

Country	2010	2020	2030	2035	2040	CAGR 2010-2020	CAGR 2020-2030	CAGR 2030-2040
Indonesia	24	44	50	53	56	6.2%	1.3%	1.2%
Malaysia	17	19	19	20	22	1.2%	0.0%	1.3%
Thailand	1	3	4	5	5	7.5%	4.7%	2.7%
Colombia	1	2	2	2	3	7.5%	3.4%	2.0%
Rest of World	4	7	9	9	10	4.7%	2.3%	2.0%
SUM	**47**	**74**	**84**	**90**	**96**	**4.6%**	**1.2%**	**1.4%**

Source: Glenauk Economics. Global supply of CPO in 2023 for Indonesia (59.5%), Malaysia (24.1%), Thailand (4.5%), Colombia (2.4%) and rest of world (9.5%).

Table 7: Forecast of global palm oil demand by end-use to 2040, million tonnes

End Use	2010	2020	2030	2035	2040	CAGR 2000-2020	CAGR 2020-2030	CAGR 2030-2040
Food	41	55	60	63	66	2.9%	0.8%	1.0%
Biodiesel	3	12	16	17	17	16.5%	2.8%	0.6%
Oleochemical	3	6	9	10	12	8.0%	3.5%	3.2%
Other Industrial	1	1	1	1	1	0.0%	0.7%	1.0%
SUM	**47**	**74**	**85**	**90**	**95**	**4.6%**	**1.4%**	**1.2%**

Source: Glenauk Economics

While supply growth slows, demand for palm oil will continue to grow:

- In **food use**, despite some consumers concerns, palm oil is difficult to substitute in part due to its higher oxidative stability in frying but mainly as its balance of saturated and unsaturated fats means it can be used as a hard stock in margarine and shortenings, without hydrogenation.
- While the use of palm oil in **biodiesel** in the EU is being phased out by 2030, growth in the volume of biodiesel used in Indonesia means biodiesel demand for palm oil continues to grow. The Indonesian government's mandate, requiring a certain blend of palm biodiesel in diesel, has been critically important in controlling the volume of palm oil stocks. If South East Asian countries adopt Sustainable Aviation Fuel (SAF) mandates they will be based on palm oil.
- At the same time, with increased use of tallow as biodiesel feedstocks in the US, the use of **palm oil in oleochemicals** is forecast to expand as palm oil/stearin become a larger share of fatty acid production.

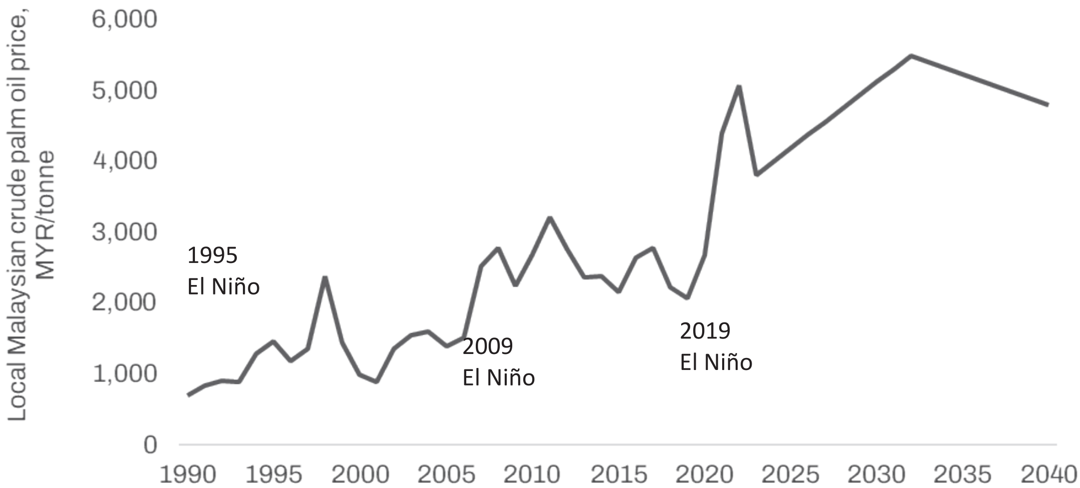
Overall, therefore demand for palm oil will grow at a faster rate than supply, which is being held back by an inability to expand area under oil palm, until 2032. From 2032 onwards the growth in supply will be slightly faster than demand as higher soybean oil supplies remove some of the pressure from palm oil and replanting helps to increase production. Nonetheless stocks will remain tight.

Price outlook

As with all agricultural commodities, the weather is the main determinant of annual fluctuations in the crude palm oil price. There have been three major price rallies since 1990 caused by strong El Niño weather events in 1995, 2009 and 2019. An El Niño usually causes droughts in South East Asia. As the oil palm requires consistent and high rainfall, this reduces palm oil production with a lag.

Prices reached an all time high in 2022, averaging over RM5,000 per tonne in Malaysia. Since 2022 prices have come down, though they remain at much higher than historical levels. Our supply and demand calculations suggest that there is a fundamental shortage of palm oil, therefore we expect average prices to rise in 2024 to just above RM4,000 per tonne. 2025 will see average prices increase to RM4,238 per tonne and they will continue to increase until 2032 when a combination of higher output from replanting, slowing biodiesel demand and more supply of soybean oil will relieve some of the pressure on CPO prices allowing them to decline, though remaining at historically very high levels. Tables 6 and 7 demonstrate that the supply and demand will be balanced by 2035.

Diagram 4: Malaysian CPO price and forecast

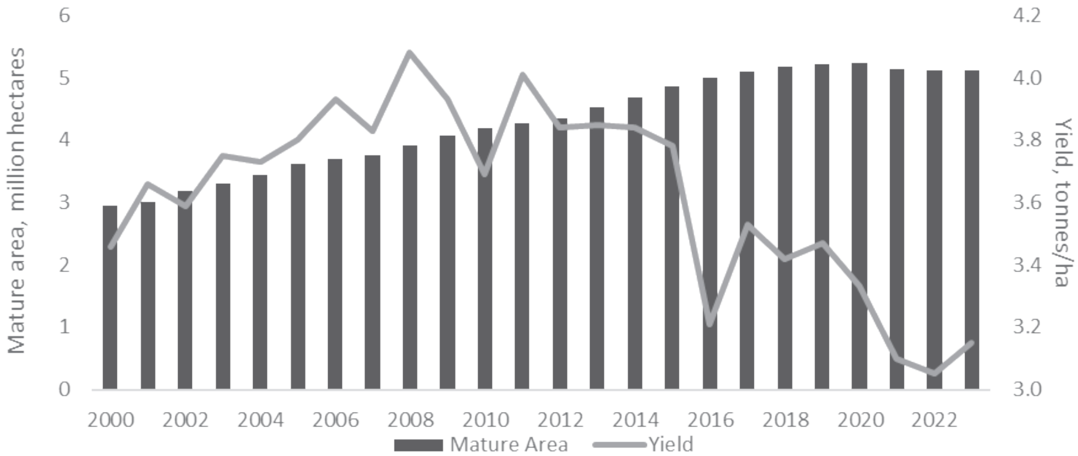


Source: Historical data from MPOB, forecasts from Glenauk Economics

Prospects of the Malaysian Palm Oil Sector

From 1975 to 2019 the planted area under oil palm in Malaysia increased almost ten fold, from 0.6 million hectares to a peak of 5.9 million hectares, as oil palm area expanded and replaced rubber. Production of palm oil increased from 1.2 million tonnes to a peak of 19.9 million tonnes, reaching this level in both 2017 and 2019. This expansion was initially focused on Peninsular Malaysia (which still accounts for 45% of planted area) but from the 1990s onwards Sabah and later Sarawak began to grow more quickly.

Diagram 5: Mature area under oil palm and yield in Malaysia



Source: Malaysian Palm Oil Board (MPOB) annual reports

Since 2019, as Diagram 5 demonstrates, the mature area in Malaysia has been declining alongside a pronounce decline in yields. The decline in mature area has been driven by oil palm areas being converted into urban uses as well as difficulties in replanting certain areas due to environmental restrictions.

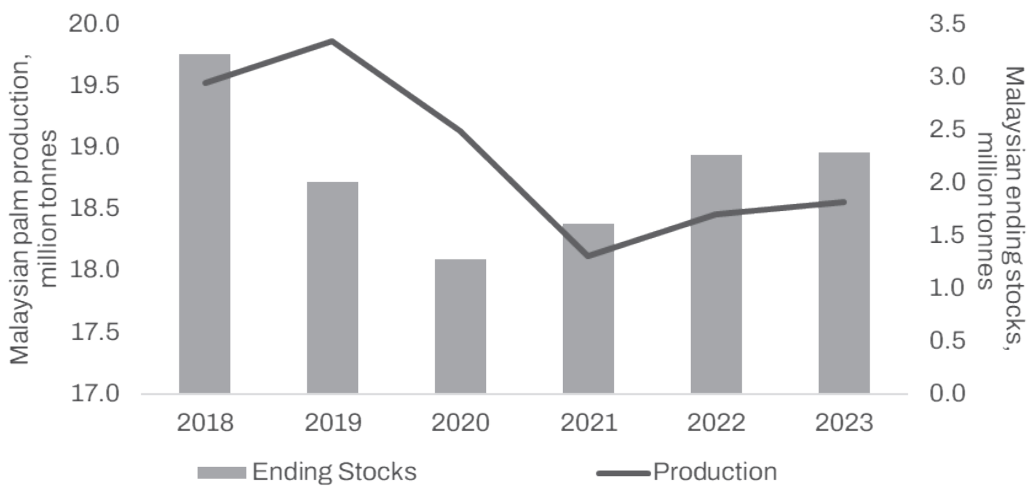
The decline in yields is the combination of a number of factors:

- The **poor age profile** of many Malaysian estates who have not replanted sufficiently. As a result, many trees are over-age and finding harvesters is becoming very difficult.
- The **spread of Ganoderma** (a fungal root infection) which reduces yields and eventually kills the trees. (Fewer trees per hectare reduces yields).
- The discovery that large numbers of **seedlings were contaminated** with lower yielding dura material.
- **Widespread labour shortages** exacerbated by the COVID-19 pandemic which made recruiting workers extremely difficult. As a result in many estates field upkeep has been neglected (most notably the pruning of palms).

The major concern for plantation companies today is to find sufficient workers to rehabilitate areas that have been neglected while ensuring that they have the skilled workers necessary to work as harvesters. Companies are also looking at mechanisation, in part to reduce their reliance on manual labour but also to attempt to improve the productivity of their workers and attractiveness of the job.

Plantation companies have also tried to attract Malaysians to work on the estates, which has proven extremely difficult due to the widespread perception that the work is dirty, dangerous and degrading.

Diagram 6: Malaysian production of palm oil and ending stocks



Source: Malaysian Palm Oil Board (MPOB)

The decline in Malaysian output has helped reduce stocks, as measured by the Malaysian Palm Oil Board (MPOB) and shown in Diagram 6. As Indonesia is today the much larger producer, however, Malaysian stocks are also determined by competition from Indonesia on the export market as well as imports of palm oil into Malaysia from Indonesia.

The competition with Indonesia explains why, despite the relatively modest increase in production, in 2022 Malaysian stocks rose more substantially. 2022 saw the Indonesian government ban exports in an attempt to control the local cooking oil price. This resulted in a large build up of stocks inside Indonesia and a sharp decline in the local crude palm oil price. Following protest from farmers, exports were once again allowed (though they continued to be regulated under a system of export permits). As these exports flooded onto the market Indonesia claimed large amounts of market share from Malaysia, reducing Malaysian exports and pushing up stocks towards the end of the year.

Nonetheless, stocks in 2023 remained at a relatively low level of 2.29 million tonnes, demonstrating the general shortage of palm oil due to the slowdown in production.

Industry risks and challenges

As we have seen the main factors determining the profitability of an oil palm plantation are the CPO price and their yield. While the plantation company has no control over the CPO price, their actions influence the CPO yield, albeit with annual fluctuations caused by changes in the climate, over which they do not have control.

Operational risks

The main threats to plantation companies, in terms of maintaining their yields, are the potential for disease outbreaks, inclement weather leading to flooding and an insufficient and/or poorly trained workforce neglecting their duties. The skill of a planter has always been in managing these risks by ensuring that they can minimize the impact of any disruptions on production, by preparing for all eventualities with a well-trained and highly disciplined workforce committed to a culture of excellence.

Sustainability risks

More recently, the oil palm industry has become the focus of sustainability issues. The specific issues have varied, from environmental concern over deforestation to concern over the treatment of potentially vulnerable migrant workers. In all cases, however, the need to demonstrate the sustainability of plantations has become a major component of the risk management for plantation companies. Leading oil palm plantation companies are aware of the reputational risk for themselves as well as the counterparty risk for their buyers, processors, consumer goods producers and investors.

In response to these risks, a number of policies, processes and procedures have been developed to ensure plantation companies demonstrate a credible commitment to acting in a transparent and ethical manner. One such process has been the development of certification and traceability to demonstrate that plantation companies have not contributed to deforestation. JPG is certified under the Roundtable for Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO) and International Sustainability & Carbon Certification (ISCC)

The RSPO is a voluntary scheme. Globally in 2022 only 20.5% of CPO produced was RSPO certified, which places JPG among a small group of very environmentally conscious suppliers. Today all of JPG mills are RSPO certified as is all of their estate area. Four out of five mills use the highest identity preserved (IP) chain of custody system which means that they can fully trace all of their FFB back to the field. The remaining mill uses the RSPO Mass Balance (MB) certification system, in order to be able to continue to accept smallholder crop.

Due to the relatively high cost and complicated nature of certification, smallholders usually are unable to become certified without assistance from plantation companies. JPG is working on ensuring that more of its smallholder suppliers become RSPO certified as part of its Smallholder Inclusion Program. As part of this program smallholders will be provided with pecuniary incentives to sell RSPO certified FFB. Finally, to ensure that there is no deforestation in the JPG's supply chain, it also subscribes to a satellite monitoring process (Global Forest Watch).

JPG provides this external evidence to buyers so that they can be reassured no palm oil from deforestation will enter their supply chain. This also places JPG in a better position to comply with the EU's Deforestation Regulation (EUDR), the exact details of which are not yet clear, but which will require that all production be traced back to the location of production and assurances that there has been no deforestation since 2020.

Focus on oil quality and reducing contaminants

3-Monochloropropane-1,2-diol (3-MCPD) content in palm is limited at 2.5 ppm in the EU. JPG introduced CPO washing to comply. A small number of high-quality buyers are also seeking to reduce mineral oil in palm oil. The European Food Safey Authority (EFSA) believe Mineral Oil Aromatic Hydrocarbons (MOAH) may cause cancer and have agreed in principle to limit MOAH content. JPG have introduced biobased lubricants to reduce the MOAH content.

Focus on carbon emissions

Increasingly, companies are committed to reporting and reducing their carbon emissions. For many producers involved in processing or buying agricultural commodities, they represent a large share of their scope 3 emissions. Increasingly therefore the focus is on finding suppliers who can demonstrate low carbon emissions.

The main source of carbon emissions on plantations is from the methane released from the mill effluent. JPG has already installed biogas facilities on all five of their mills thus capturing these emissions. (The recent fire in the biomethane plant at one of the mills will cause some additional methane to be released into the atmosphere temporarily). As a result, the carbon emissions from JPG are low at around 0.93 tonnes of carbon per tonne of CPO according to their 2022 RSPO submission (prior to the fire). This compared favourably with the average GHG emissions declared by RSPO members which are around 1.6 tonnes of carbon per tonne of CPO in 2022 (based on RSPO Impact Update 2023). In addition, RSPO members have lower GHG emissions compared with non-members.

9. RISK FACTORS

BEFORE INVESTING IN OUR SHARES, YOU SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT WE, AND TO A LARGE EXTENT, OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS, ARE SUBJECT TO THE LEGAL, REGULATORY AND BUSINESS ENVIRONMENTS IN MALAYSIA. OUR OPERATIONS ARE ALSO SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. YOU SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW, BEFORE DECIDING TO INVEST IN OUR SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our performance may be affected by variations in the yield levels of oil palm

The yield for oil palm plantations is generally dependent on factors such as age profile of the oil palms, planting materials, diseases or crop pests and weather conditions that affect the oil palm, terrain, and soil characteristics of the area in which our plantations are located, as well as the availability of labour and the social structure of the local community surrounding our estates.

In each of the Financial Years Under Review, our average FFB yield per Ha was higher than the average industry yield. For the Financial Years Under Review, our average FFB yield per Ha was 22.9 MT per Ha, 20.1 MT per Ha, 22.1 MT per Ha and 20.3 MT per Ha respectively, while the national MPOB benchmark average was 16.7 MT per Ha, 15.5 MT per Ha, 15.5 MT per Ha and 15.8 MT per Ha respectively. However, there can be no assurance that our future performance will be consistent with our past operating results.

Generally, it takes approximately 3 years for oil palms to produce fruits suitable for harvest. A typical matured oil palm will remain productive for up to 25 years, after which its FFB production is significantly reduced, and we will then undertake our replanting programme. Although we seek to minimise the effect of replanting and/or new planting on our FFB production in any given year, there is no assurance that our revenue and margin will not be affected during the replanting periods, especially with regard to the 3-year period from the commencement of the replanting programme. Moreover, given that our replanting programme is a long-term process, it cannot mitigate or offset external factors such as adverse weather or accidents that can impact our yield levels in the near term.

Mature young oil palms between the ages of 4 to 8 years produce lower FFB yields compared to prime young oil palms between the ages of 9 to 18 years. After the oil palms have passed their prime age, the FFB yield is expected to decrease, and such decrease will affect the performance of our plantation estates.

Other factors may also affect our yields, including seed quality, pest and diseases and soil fertility. While we are able to manage these factors to an extent through steps such as investments in research and development, human capital, training and equipment maintenance, these factors may also be affected by events or circumstances beyond our control, such as advancements in technology in general, weather and the environment and macroeconomic trends. Accidents or events such as fires may also affect our yields, for example by damaging our crops or creating unsafe working conditions. There can be no assurance that we will be able to maintain an optimal age profile for our oil palms or achieve our targeted yield levels on a consistent basis or at all.

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9. RISK FACTORS (CONT'D)

The following factors in particular have in the past affected and may in the future affect our production and supply of FFB:

(i) Weather patterns

Weather has a key impact on oil palm yields. Volatile and unpredictable weather patterns require our management to be meticulous and farsighted in terms of planning for our plantations.

Overly dry or wet weather conditions can potentially induce tree stress, leading to lower FFB yields. Adverse wet weather also affects harvesting and crop recovery. Heavy rainfalls may cause the condition of the terrain on our plantation estates to be slippery or soft, thereby making it difficult for our workers to access our plantation estates and harvest our FFB due to poor road conditions and soil can become oversaturated.

Additionally, continuous torrential rain may lead to flooding especially in areas near riverbanks, and subsequently delay FFB harvesting. Adverse dry weather affects the yield of oil palm as low rainfall generally results in lower FFB yields. Insufficient rainfall causes oil palm to produce fewer flowers which develop into FFB and may delay fertilising schedules. Prolonged dry conditions could induce moisture stress in oil palms, which will affect plant vegetative growth and lead to reduce production, depending on the severity of the drought. Meanwhile, prolonged wet conditions could disrupt pollination, harvesting and transportation, leading to a decline in FFB production.

We experienced extremely low rainfall during the 1st half of 2019, which led to declining FFB yield in the 1st quarter of 2021. There was also hot and dry weather during the 1st half of 2019, which resulted in a higher percentage of FFB being unsuitable for processing. Both incidents contributed to our lower FFB yield in the FYE 2021 as compared to FYE 2020, which resulted in lower CPO and PK delivery volume although revenue was not adversely impacted due to increases in our CPO and PK average selling prices. In contrast, we experienced favourable weather conditions in the first 3 quarters of 2022, which is expected to improve FFB yields in future harvests. Any poor weather conditions, especially if continued for a prolonged period, could adversely affect our business, financial condition, results of operations and prospects.

(ii) Flood and other natural disasters

Natural disasters, such as floods, tsunamis, tidal waves or other natural disasters, may adversely affect our operations. As disclosed in Section 7.18.3 of this Prospectus, in March 2023, Johor was affected by extreme weather conditions with nearly 2 weeks of torrential rain which caused flooding. The flooding displaced large numbers of people in the community from their homes and had also damaged roads, bridges and other infrastructure in the community. In relation to our operations, the flooding impeded and, in some cases, entirely prevented workers from traveling to, from and within our estates to harvest and transport our FFB.

As a result of the above, our FFB yields declined by approximately 1.8% while our CPO and PK production decreased by approximately 6.4% and 5.2% respectively during the FYE 2023 as compared to the FYE 2022. Notwithstanding that this had resulted in loss of FFB yield as well as CPO and PK production, we do not expect the flooding to have a significant long-term impact as our oil palms were not inundated for an extended period of time as our irrigation and drainage systems were able to evacuate the flood waters from our estates. In the longer term, the soil moisture level caused by the flooding could adversely impact the productivity of our oil palms. There can also be no assurance that future geological occurrences will not adversely affect our business, financial condition, results of operations and prospects.

(iii) Monoculture risk, pests or diseases

Our plantation activities are largely concentrated on the cultivation of a single type of crop, which is oil palm. As such, we are exposed to monoculture risk, the risk related to the cultivation of a single crop in a given area, and our oil palm may be susceptible to attacks by pests or diseases, including diseases caused by infectious organisms (also known as plant pathogens) and outbreaks of leaf-eating insects such as nettle caterpillars and bagworms. Diseases and pests can cause lower FFB yields, and in extreme cases, these attacks by pests or diseases could destroy large areas of oil palm crops. Fungal diseases such as 'Ganoderma basal stem rot' and 'Stem Rot disease' are examples of diseases that typically infect oil palm crops, while pests that attack oil palm crops include rats, leaf eaters (bagworm and nettle caterpillars) and rhinoceros beetles. We have not experienced any material occurrence of monoculture risk, pests or diseases in the past. However, the occurrence of such attacks may adversely affect the operations, production and yield of our plantations. There can also be no assurance that fungal diseases, bacterial-related diseases, and pests will not adversely affect our business, financial condition, results of operations and prospects.

9.1.2 Our business operations and financial performance may be affected by prolonged or significant disruption to our production, storage and distribution facilities, and transportation infrastructure

Our plantation business is highly dependent on our production, storage and distribution facilities or transportation infrastructure that we use to ensure smooth operation. We face a number of operational risks at our plantation estates and POMs, POME facilities, biomethane generation and planned bio-CNG facilities. Our production, storage and distribution facilities or transportation infrastructure that we use are subject to being partially or completely shut down, temporarily or permanently, as a result of a number of circumstances, such as adverse weather conditions, catastrophic events, environmental remediation, equipment or machinery breakdowns, strikes, lock-outs or other events. For example, major disruptions in the supply of utilities such as water or electricity or other operational difficulties at our production facilities, could reduce the amount or quality of products that we are able to produce and/or cause us to incur additional expenses. Our production facilities are also subject to a number of risks such as extreme weather conditions, fires, explosions, natural disasters, third-party interference, war or terrorism, civil unrest, and mechanical failures of equipment. Any of these occurrences may disrupt our operational activities including our FFB production, which could negatively affect the volume of CPO and PK we produce.

An example of an incident which may give rise to disruption in our operations is the fire incident which occurred at the biomethane plant on 25 October 2023 as disclosed in Section 7.18.4 of this Prospectus. Another example of operation risk is that our production facilities may require unscheduled downtime or unanticipated maintenance, which could reduce our revenues and increase our costs during the affected period. We experienced a total plant shutdown for 10 days at our Sedenak POM in 2022 due to the downtime experienced by our multistage turbine. However, this did not materially affect our results of operations as we were able to divert all of the FFB from Sedenak POM to our other mills, thereby avoiding a material loss from unused or spoiled FFB or a material decline in CPO and PK production. Outages or extended downtime at our production facilities such as this could lead to our inability to continue our production, whether prolonged or within a short period, which in turn will lead to a loss of product or diminished product quality.

We have not experienced any material occurrence of prolonged interruption in our production, storage and distribution facilities or transportation infrastructure in the past. However, any prolonged interruption could disrupt the flow of our business operations, impact our ability to serve our customers in a timely manner, and adversely affect results of operations and financial performance.

9.1.3 Our major customers typically account for a significant portion of our revenue each year

We sell our products in large quantities to a relatively small number of customers each year and at prices above the market average after taking into account the costs related to our sustainable practices. As a result, certain major customers typically account for a significant portion of our revenue in a single year. We generally do not enter into long term contracts with our customers, and both parties have the ability to seek significant changes to the terms of, or discontinue, our business arrangements.

During the Financial Years Under Review, a significant portion of our revenue was derived from sales to 3 of our major customers, as follows:

Major customers / Length of business relationship as at 31 December 2023	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)
Intercontinental Specialty Fats Sdn Bhd / 8 years	419,484	41.1	658,033	42.5	730,868	41.7	478,918	38.2
Palmaju Edible Oil Sdn Bhd / 25 years	34,682	3.4	143,290	9.2	391,634	22.4	283,837	22.6
PGEO Group Sdn Bhd / 11 years	74,556	7.3	100,988	6.5	33,624	1.9	211,330	16.9
Total	**528,722**	**51.8**	**902,311**	**58.2**	**1,156,126**	**66.0**	**974,085**	**77.7**

We have not experienced any termination of relationship by major customers in the past. However, if one or more of our major customers terminates their relationship with us or decides to purchase less products than expected, our results of operations could be adversely affected if we are unable to procure substitute orders of comparable size and on comparable terms from other customers in a timely manner. In addition, as we typically commit a large portion of our production volume to a small number of customers, our business may be adversely affected by risks and unexpected adverse developments affecting those customers.

9.1.4 We are dependent on foreign workers for our plantation operations

The plantation industry in Malaysia, including us, relies heavily on foreign labour. Oil palm plantations require extensive manpower in nurturing of seedlings, palm planting, manuring, harvesting and other routine maintenance work to achieve optimal yields. As such, we rely on employing foreign workers mainly from Indonesia and Bangladesh for our oil palm plantation operations. As at the LPD, we employed a total of 4,780 estate workers (out of which 3,572 are foreign workers) to work on our plantation estates, and these foreign workers represented approximately 74.7% of our total field workers.

We obtain 12-month work permits for all of our foreign workers, which may be renewed up to a maximum period of 10 years. In order to obtain the necessary documents for foreign workers to work in Malaysia, applications for these permits must be made to the Ministry of Home Affairs of Malaysia and simultaneously, to the relevant embassies of the origin countries of the foreign workers in Malaysia. If the policies on granting such necessary documents were to change in Malaysia and/or the respective source countries, and if such changes result in a more difficult process, it may be more challenging for us to maintain a sufficient workforce for our oil palm plantation operations.

Any adverse changes to the policies relating to the employment of foreign workers between Malaysia and the countries from which our foreign workers are sourced, any significant increase in labour wages or any other inability to hire and retain foreign workers may adversely affect our business operations and financial performance.

For example, in 2020, the implementation of the MCO by the Government in response to the COVID-19 pandemic prevented new intakes of foreign workers starting from 18 March 2020. In 2021, the continuing effects of the COVID-19 pandemic, namely a prolonged freeze in new recruitment of foreign workers and continuous attrition of experienced workers returning to their home countries, resulted in an unprecedented acute shortage of labour. In Malaysia, supply of labour was constrained as well, especially in the plantation industry. Further, although COVID-19-related restrictions on movement have now been relaxed in Malaysia, Indonesia and elsewhere where we hire our foreign workers, some of our foreign workers have chosen to remain in their home countries, including some of those with significant experience and knowhow. As a result, we have hired workers that require more training and closer supervision while they develop their skills and knowhow, which has resulted in lower FFB yields in the short term due to inefficient harvesting by inexperienced workers as compared to pre-COVID-19 levels. Another example was an increase in the foreign worker levy in Malaysia which came into effect on 1 February 2016 and consequently increased our labour costs by approximately RM0.2 million for the FYE 2016.

There can be no assurance that our business operations and financial performance will not be materially and adversely affected arising from any changes in policies relating to the employment of foreign workers in the future.

9.1.5 Our business operations may be affected by loss of right of use of the estates that we rent which contribute a substantial amount of our FFB production

We rent the Malay Reserved Estates from JCorp and they collectively contributed approximately 185,320 MT, 164,954 MT, 178,912 MT and 179,916 MT of FFB, representing approximately 16.2%, 15.9%, 16.1% and 17.4% of the FFB produced on our owned and rented plantation estates during the Financial Years Under Review respectively. Based on the terms of the Renewal Tenancy Agreement, the term of our tenancy for the Malay Reserved Estates will expire on 30 June 2026. To provide certainty on our continuous usage of the Malay Reserved Estates, JCorp and our Company had on 1 March 2024 executed the Second Supplemental Agreement to further amend the terms of the Tenancy Agreement, by stipulating the termination event of the tenancy in respect of the Malay Reserved Estates and providing certainty on the tenancy term following its expiry on 30 June 2026, subject to the terms of the Second Supplemental Agreement.

Pursuant to the terms of the Second Supplemental Agreement, if our Company shall be desirous of renewing the tenancy of the Malay Reserved Estates upon the expiration of any Extended Term (as defined in Section 7.9 of this Prospectus), our Company shall, not more than 6 months and not less than 3 months before the date of expiration of the Extended Term, give to JCorp notice in writing of such desire to renew, and if at the time the aforesaid notice in writing is given, the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate continues to be in operation and there shall not be any existing breach or non-observance of any of the covenants, provisions and stipulations on the part of our Company contained in the Tenancy Agreement (including up-to-date payment by our Company of all accrued total rental payable under the Tenancy Agreement), JCorp will, at the cost and expense of our Company, let the Malay Reserved Estates to our Company for a further fixed period of 3 years, commencing from the date next following the date of expiration of the Extended Term.

Notwithstanding the express right granted to us under the Second Supplemental Agreement to renew our tenancy of the Malay Reserved Estates for subsequent terms, JCorp is entitled to terminate the Tenancy Agreement in the event we breach any of the covenants under the Tenancy Agreement and fail or neglect to remedy such breach within the stipulated period provided therein. If the Tenancy Agreement is terminated as a result thereof, JCorp is entitled to claim for the remaining balance of the total rent for the tenancy or forfeit the balance of the total rent for the tenancy paid in advance (as the case may be) for the remaining tenancy period during the term of the tenancy as liquidated damages, and we will lose our right to use the Malay Reserved Estates, including our right to use our integrated sustainable palm oil complex to be constructed on Pasir Logok Estate, and we will have to identify alternative estate for the relocation of our integrated sustainable palm oil complex. This will have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, while we are entitled to claim from JCorp the NBV of the assets (including oil palm plantations and palm oil and palm products processing facilities) developed or constructed on the Malay Reserved Estates and the NBV of the planting and/or replanting cost of the palm oil plantation as at the date of termination as agreed liquidated damages should JCorp commit an event of default under the or prematurely terminates the tenancy or revoke our right of use of and/or access to the Malay Reserved Estates, we are however not entitled to claim for any loss of future income expected to be generated from the operation of the integrated sustainable palm oil complex.

Please refer to Section 7.1 of this Prospectus for the estimated revenue contribution from the Malay Reserved Estates and Section 7.9 of this Prospectus for the terms of the Tenancy Agreement which has been renewed via the Renewal Tenancy Agreement.

9.1.6 We may not be able to continuously renew the term of the Tenancy Agreement

Pursuant to the terms of the Second Supplemental Agreement, we are entitled to renew the tenancy of the Malay Reserved Estates upon expiration of any Extended Term (as defined in Section 7.9 of this Prospectus), so long as the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate continues to be in operation, and there is no existing breach or non-observance of any of the covenants and provisions on our part contained in the Tenancy Agreement. This indicates that the continuous renewal of the term of the Tenancy Agreement is subject to the fulfillment of the aforementioned conditions.

If we cease operation of the integrated sustainable palm oil complex to be constructed on Pasir Logok Estate or we breach any of our covenants provided in the Tenancy Agreement, JCorp may, upon receiving our notice in writing to renew the Extended Term, decline the renewal of the Extended Term, and following thereto, our tenancy with JCorp pertaining to the Malay Reserved Estates will cease immediately upon the expiry of the relevant Extended Term. Thereafter, we will lose our right to use the Malay Reserved Estates, including our right to use our integrated sustainable palm oil complex constructed on Pasir Logok Estate, and we will have to identify alternative estate for the relocation of our integrated sustainable palm oil complex. This will have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, if JCorp chooses not to renew the term of the Tenancy Agreement as a result of our failure to comply with any of the aforementioned requirements, we will not be entitled to claim any liquidated damages as compensation from JCorp.

9.1.7 Our right to use the integrated sustainable palm oil complex may be compromised as our interest on the Pasir Logok Estate is non-registrable

The Pasir Logok Estate, which has been identified for the construction of our integrated sustainable palm oil complex, forms part of the Malay Reserved Estates currently rented by our Company from JCorp pursuant to the Tenancy Agreement and the Renewal Tenancy Agreement.

Unlike a lease arrangement whereby the lessee's interest must be registered against the land, our right under the Tenancy Agreement and the Renewal Tenancy Agreement is non-registrable. In other words, we are not permitted to register our tenancy in respect of the Malay Reserved Estates at the relevant land registry. As such, in the event the registered proprietor of the Malay Reserved Estates, i.e. JCorp or Kulim (as the case may be), disposes of or leases the Pasir Logok Estate to another party without taking into account our interest under the Tenancy Agreement and the Renewal Tenancy Agreement, our legal recourse against the Malay Reserved Estates would be limited. While we have the option to seek damages from JCorp or Kulim (as the case may be), we would nonetheless be compelled to vacate and deliver the estates to the new registered proprietor or lessee. Consequently, we will have to identify alternative estate for the relocation of our integrated sustainable palm oil complex, and this will have a material adverse effect on our business, financial condition, results of operations and prospects.

9.1.8 Our business operations are dependent on our Managing Director and Key Senior Management

We are dependent on the experience, knowledge and skills of our Managing Director and Key Senior Management for our oil palm plantation operations:

(i) Mohd Faris Adli Bin Shukery, our Managing Director, oversees the entire oil palm business and expansion strategies and initiatives of the palm oil business, and has more than 19 years of experience in the plantation industry;

(ii) Aziah Binti Ahmad, our Chief Financial Officer, oversees all of our accounting functions, including financial reporting, budgeting and cash flow management, and has more than 35 years of experience in accounting, finance, and audit in various industries;

(iii) Mohamad Yami Bin Bakar, our Head of Plantation, oversees the operation of all of our plantation estates and POMs, and has more than 31 years of experience in the plantation industry;

(iv) Amran Bin Zakaria, our Head of Group Human Capital, oversees all matters related to human resources, and has more than 29 years of experience in human resources in various industries; and

(v) Wan Adlin Bin Wan Mahmood, our Head of Sustainability and Innovation, oversees the management of our sustainability system, innovation management and project management, and has more than 20 years of management experience in the plantation industry.

The loss of services of our Managing Director or any of our Key Senior Management without suitable and timely replacement may adversely affect our business operations and financial performance. Please refer to Sections 5.2.1 and 5.3.1 of this Prospectus for the profiles of our Managing Director and Key Senior Management respectively.

9.1.9 We may not be able to renew or obtain licences, permits and certificates required to carry out our business operations or meet our regulatory or customer requirements as they evolve

We require various approvals, licences, permits and certificates to operate our oil palm plantations, POMs and renewable energy facilities to produce and sell FFB, CPO, PK and biofuels. Save and except for the expired licences which are currently pending issuance of the renewed licences as set out in Annexure A of this Prospectus, we have obtained all major approvals, licences, permits and certificates which we are dependent on for our business operations in Malaysia as at the LPD.

We have adapted our plantation operations to adhere to requirements for sustainable and traceable palm oil production that are set by RSPO as well as quality standards that are set by our various customers. Our ability to adhere to the RSPO requirements may also depend on our ability to screen for and select certified FFB from our external FFB suppliers that meet our quality standards. Furthermore, we are required to ensure our continued compliance with these requirements and standards if they are modified in the future or if we are required or choose (as the case may be) to comply with the requirements or standards of other regulatory bodies or customers. Our ability to adapt to changes and to anticipate future requirements and standards could become a factor in maintaining or improving our competitive position and prospects for growth.

We may also have to incur substantial unanticipated costs to comply with these new standards. There is no assurance that we will not encounter problems in obtaining and/or maintaining such required approvals in the future, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the palm oil industry in general.

Failure by us to renew, maintain or obtain the required approvals, licences, permits and certificates may interrupt our operations, delay or prevent the implementation of any capacity expansion or new projects and may have a material adverse effect on our business, financial condition, results of operations and prospects.

9.1.10 Our business operations could be affected by legal, regulatory, or political changes

Our business is subject to various laws, regulations, policies, and the political and social environment in Malaysia, and legal, regulatory or political changes could increase our costs and expenses. For example, the Government increased the minimum wage in May 2022 by 25% from RM1,200 a month to RM1,500 a month, which led to an increase in our labour costs. We are exposed to the risk of enforcement actions and investigations should we fail to comply with such relevant laws, regulations, and policies.

We are subject to the risk that regulatory authorities may, from time to time, impose additional standards and requirements, which could be more stringent or onerous than those which currently apply to us. If there is non-compliance, these licences and approvals may be revoked or may not be renewed upon expiry. For example, the European Union Deforestation Regulation that is scheduled to come into force at the end of December 2024 will apply to any company which imports or exports CPO, PK, refined palm oil products or basic oleochemicals to the European Union. While we do not export our CPO, we are aware that the ultimate end-user of at least some of our palm oil products is in the European Union. The European Food Safety Authority has also agreed in principle to limit mineral oil aromatic hydrocarbons content due to its possible cancer causing properties. These and similar regulations could adversely affect our business, financial condition, results of operations and prospects. Similarly, any breach of these conditions, laws and regulations can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities.

We may be subject to legal, regulatory, political and policy changes which we may not be able to anticipate, including disputes with local communities over land-related issues, that could adversely affect our business, financial condition, results of operations and prospects.

Although RSPO membership is voluntary, as a member, we are subject to the grievance process implemented by RSPO to address any complaints lodged against us for environmental and social breaches. Any such complaints made against us may have negative effects on our reputation and may cause us to be subject to further penalties if the RSPO grievance panel concurs with the allegations made against us.

There may also be continued pressure for plantation businesses to adopt more stringent sustainability practices arising from more scrutiny imposed on oil palm plantation companies globally. Such practices include environment-friendly and socially responsible operations and sustainable sourcing as part of the efforts to reduce the environmental and social impact of palm oil production.

9.1.11 Legal disputes or proceedings could expose us to liability and negatively impact our reputation

We may be involved in potential legal disputes or proceedings that could have an adverse impact on our reputation, business, financial condition, results of operations and prospects. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular dispute or any adverse judgments arising from the legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition. We may incur substantial legal expenses due to any litigation or legal proceedings. We are currently involved in a legal proceeding initiated by DOSH for breach of Section 15(1) of the OSHA, details of which are provided in Sections 7.19.3(v) and 14.7 of this Prospectus.

9.1.12 We may suffer uninsured losses or losses in excess of insured limits

We maintain insurance policies in line with general business practices, where practicable, with adequate policy specifications and insured limits. Our insurance policies cover risks such as fire, flood, riot, strike, malicious damage and public liability, to protect against property damage, business interruption and general liability.

There are, however, certain types of losses arising from wars, acts of terrorism or acts of God that are generally not insured as they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits or a failure of insurers to fulfil their obligation for the sum insured occur, we could be required to pay compensation and/or lose the capital we invested in the property, as well as anticipated future revenue from that property.

Any such loss could adversely affect our business, financial condition, results of operations and prospects. As at the LPD, we do not have any unresolved uninsured losses or loss in excess of insured limits or material outstanding claims against insurers for insured losses.

An example of an incident which may give rise to loss or damage is the fire incident which occurred at the biomethane plant on 25 October 2023 as disclosed in Section 7.18.4 of this Prospectus. While the loss and damage caused by such fire incident was ultimately not material from a business, financial condition or operational perspective, there can be no assurance that material losses will not occur in the future that exceed the coverage obtained or compensation received or that adequate insurance coverage will be available in the future on commercially reasonable terms or rates.

9.1.13 We could be impacted by matters affecting reputation, litigation, regulatory or other matters due to our association with our Promoters

We are associated with our Promoters, namely JCorp and Kulim. As an indirect subsidiary of JCorp, we believe that we benefit from the industry reputations of both of our Promoters in our business dealings, including with our customers and suppliers. Any negative publicity on our Promoters or changes in the public opinion regarding them could harm our reputation and the confidence in and use of our products.

If our Promoters do not successfully maintain a strong and trusted brand, our business, financial condition, results of operations and prospects could be adversely affected even if we are not involved. We may incur additional costs in addressing such matters regardless of merit or outcome and this may also divert our management's time and attention.

9.1.14 We may not be able to acquire new plantation land to increase our FFB production capacity or maintain the right of use of the plantation estates that we rent

We compete with other plantation companies and other agricultural companies to secure suitable plantation land to carry out our plans to acquire additional landbank for oil palm, including rental of plantation estates, as well as through arrangements to manage third-party plantation estates. We may also acquire oil palm landbank from other oil palm planters as part of our expansion strategy. We rent the Malay Reserved Estates and Kuala Kabong Estate from JCorp. We may also rent additional plantation estates from third parties in the future.

While we have not encountered any difficulties in renewing the tenancy for our rented plantation estates, there can be no assurance that we will be able to renew all our rentals at commercially reasonable costs or on similar or more favourable terms at all, or that we will be able to obtain suitable rentals at alternative sites, and any such failure to secure renewal or an alternative rental could materially and adversely affect our business, financial condition and results of operations.

There can be no assurance that we will be able to acquire new plantation land (including land rentals) in the future to support our growth strategy. If we are unable to expand our operations to increase our FFB production capacity, we would be required to increase our purchases from third-party FFB suppliers to increase our CPO and PK production, and there may not be sufficient certified FFB from third-party FFB suppliers to support our growth or the cost of such certified FFB from third-party FFB suppliers may increase our costs and affect our margins.

As we are committed to environmental conservation and due to our membership with the RSPO, any future land acquisitions (including land rentals) of suitable plantation land will require us to consider the social and environmental impact of our activities on the said land in accordance with our sustainability commitment, which could result in fewer land areas being deemed as suitable acquisition targets for us. The Government has also signaled that it plans to reduce the frequency of new land clearing to promote RSPO certification compliance. As a result, there can be no assurance that we will be able to source suitable land for expansion of our landbank in the future.

9.1.15 We may experience land disputes and our existing lands may also be subject to compulsory acquisition

We may experience land disputes in the future. Such land disputes may arise over land ownership or overlapping land usage (where an area of land that has been allocated by the government authorities to a party for a specific purpose overlaps with other areas that have also been allocated by other government authorities to other parties for other purposes or reserved by the government for a specific purpose only). We have not experienced any material occurrence of land disputes in the past.

Our land sites may also be compulsorily acquired by the Government based on reasons such as, among others, public use or due to public interest. If such land sites are compulsorily acquired and the NBV of such land sites is greater than the compensation paid by the Government, our business, financial condition, results of operations and prospects may be materially and adversely affected.

9.1.16 Our operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees

Some of our operations staff and workers, including foreign workers, are members of the All Malayan Estates Staff Union or National Union of Plantation Workers. Although we have not experienced any material labour unrest during the Financial Years Under Review, there can be no assurance that we will not experience disruptions at work due to disputes or other problems with our workforce, which may adversely affect our ability to continue our business operations.

Any labour unrest directed against us could, directly or indirectly, prevent or hinder our normal operating activities, and if not resolved in a timely manner, could lead to disruptions in our operations. These actions are impossible for us to predict or control and any such event could adversely affect our business, financial condition, results of operations and prospects. As at the LPD, there have been no significant incident of strike, work stoppages, increased wage demands or other kind of dispute. As at the LPD, we have not received any notices from the labour department or labour union in respect of any dispute involving us with our employees.

9.1.17 Our research and development cycles are lengthy and uncertain, and new business opportunities may not materialise

We undertake research and development initiatives to remain competitive in our industry and to support our plantation business, including cloning and plant breeding to develop higher yielding planting materials and seed production, crossing programmes and experimental plot.

The process of developing and commercialising new planting materials may involve multiple phases. We may dedicate significant financial and other resources to these initiatives before we achieve our research and development objectives. The introduction of new proprietary planting materials by our competitors may render the products of our research and development initiatives less competitive or less marketable. If our research and development cycles are prolonged or our research and development initiatives do not materialise, this may adversely affect our business, financial condition, results of operations and prospects.

9.1.18 We may incur additional costs to comply with environmental and health and safety regulations and may be exposed to liabilities if we fail to comply with these regulations

We are subject to various environmental and health and safety laws and regulations in Malaysia, including requirements related to the emission and discharge of hazardous materials, air or water from our facilities, safety and integrity of our POMs, solid waste management and emergency planning. As these laws and regulations become more stringent, they may require us to purchase and install new or additional pollution control equipment or to make operational changes to limit actual or potential impacts on the environment or the health of our employees.

Our principal environmental concerns relate to land and forest clearance for plantation development and emission and discharge from our POMs. We have been complying with the relevant environmental and health and safety regulations save and except that during the Financial Years Under Review, there were instances of non-compliance with the OSHA arising from the occurrence of accidents as disclosed in Section 7.19.3(v) of this Prospectus.

Any health and safety or environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages, the imposition of fines, criminal sanctions or the suspension or cessation of our facilities and operations, which may adversely affect our business, financial condition, results of operations and prospects.

9.1.19 We are exposed to risks in relation to work safety and occurrences of accidents and may also be involved in disputes and legal and other proceedings arising from our operations

Our production facilities require individuals to work with equipment, chemicals and other materials that have the potential to cause harm and injury when used without due care. The non-compliance of our workers with the operational safety and health policies may cause potential hazardous situations. In addition, many of our employees are engaged in harvesting and transportation activities whereby harm and injury could be caused.

In the past, we had instances where employees working in our operations were killed or injured as a result of operating our production equipment, handling various chemicals, raw materials and other items utilised or generated in our business as well as in transportation-related accidents. Please refer to Sections 7.19.3(v) and 14.7 of this Prospectus for further details of the fatal accident at our Sedenak POM.

Although we have occupational health and safety policies and procedures in place such as, among others, developed standard operating and maintenance procedures, regular inspection of tools and equipment, providing training on proper wearing of protective equipment, empowering workers to report unsafe acts and conditions, regular announcements and circulars relating to standard operating procedures, there are inherent risks of work injuries or accidents occurring in the course of our business operations. An accident, injury or death that occurs at our production facilities could result in disruptions to our business, including our production capabilities, and have legal and regulatory consequences, such that we may be required to compensate such individuals or incur other costs and liabilities, any and all of which could adversely affect our reputation, business, financial condition, results of operations and prospects.

9.1.20 Our profitability could be materially and adversely affected if we are unable to improve our production efficiency

Our future success and earnings growth depends on our ability to be efficient in the production of our products in a highly competitive market. Failure on our part to reduce costs through productivity gains could adversely affect our profitability and weaken our competitive position. Productivity initiatives that we may implement could involve complex reorganisation of our FFB production and mill operations. Such realignment of operations may result in the interruption of production, which may negatively impact our production volume and margins and could adversely affect our business, financial condition, results of operations and prospects.

9.1.21 Adverse developments in the global capital and credit markets could negatively affect our liquidity, increase our costs of borrowing, and disrupt the operations of our suppliers and customers

Global capital and credit markets have experienced extreme volatility, disruption, and decreased liquidity in recent years, including recently, making it more difficult for companies to access them. Volatility and weaknesses in global capital and credit markets have added to the uncertainty of the global economic outlook and a number of countries are experiencing slowdown in economic activity. Although our direct exposure to the European and United States markets is limited, adverse developments in those markets have, in the past, led to, and in the future may cause, weaker market confidence, limitations on access to, and higher costs of, funding and adverse impacts on the industries and businesses of our customers.

If market conditions are unaccommodating due to economic, financial, political or other reasons, our ability to obtain bank financing and access the capital markets may be adversely affected and may be subject to higher costs. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy. Any or all of these developments could have a material adverse effect on our business, financial condition, results of operations and prospects.

9.1.22 Exposure to increases in interest rates

We are exposed to increases in interest rates which could reduce our profitability and adversely impact our ability to refinance existing debt. We have floating rate obligations for certain of our borrowings. As we do not manage our exposure to interest rate volatility, any increase in interest rates will increase the costs of these borrowings, which may in turn reduce our profitability and impair our ability to meet our debt obligations. An increase in interest rates could also limit our ability to refinance existing debt upon maturity or cause us to pay higher rates upon refinancing.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face fluctuations in commodities and raw materials prices

As globally traded commodities, the prices of CPO and PK are fundamentally dependent on supply and demand conditions of the global oils and fats market. Global prices of the oils and fats are in turn affected by the availability of agricultural commodities, of which supply is affected by unpredictable factors such as weather conditions, while demand is affected by factors such as changes in population growth, changes in standards of living, biodiesel demand and global production of substitute and competitive crops, in addition to the world economy. Although the majority of the FFB that we process in our POMs is sourced from our own plantation estates, we also purchase FFB from third-party FFB suppliers or external plantation estates, including RSPO-certified FFB, which is relatively more scarce and costly. Increases in the price of FFB, palm oil products in general and palm oil alternatives have, in the past and in the future, may lead to increases in the prices of FFB that we purchase and adversely impact our margins and profitability.

Prices of FFB are also affected by a variety of other factors which are beyond our control, including environmental and conservation regulations, tariffs, and natural disasters. The markets for CPO and PK are also sensitive to changes in industry capacity and output levels. There can be no assurance that any price fluctuations will not have an adverse impact on our business operations and financial performance.

Our performance is largely affected by CPO prices which vary on a daily basis and as such, our earnings and profit margins are subject to market vagaries. In addition, the prices of our palm products and our profit margin are fundamentally dependent on supply and demand conditions of the global oils and fats market, including the prices of soybean and sunflower oil.

As the global economy recovers from the COVID-19 pandemic, demand for oils and fats further increased, far outstripping supply which was hampered by various reasons across the globe. The outcome was a sharp increase in the price of vegetable oils, with CPO prices hitting historic highs. Price of CPO averaged at RM4,407 per MT in 2021, which is approximately 64.1% higher than the average CPO selling price of RM2,686 per MT in 2020 according to MPOB. However, there can be no assurance that CPO prices will not fall in the future. Furthermore, fluctuations in the prices and supply of raw materials, which include fertilisers and fuel, may affect our business. The prices and availability of raw materials may be affected by factors such as changes in global supply and demand, state of the global economy, inflationary pressure, environmental regulations, tariffs, natural disasters, forest fires, weather conditions and labour unrest.

The prices of fertiliser and diesel fluctuate based on market conditions. Fertilisers, particularly nitrogenous and potash based fertilisers, fluctuate in line with crude oil prices by virtue of its key raw material being a by-product of crude oil and the use of crude oil in its production. During the Financial Years Under Review, the prices of fertiliser and fuel remained relatively stable and there was no fluctuation in the prices and availability of materials that significantly affected our results of operations.

9.2.2 Any significant fluctuation in the supply of CPO or substitute products may adversely affect our business, financial condition, results of operations and prospects.

We are exposed to competition from other companies and substitute products. Both the Malaysian and global palm oil-based industry is highly competitive and comprises a large number of producers. Majority of the global CPO production is produced from Indonesia and Malaysia. According to the IMR Report, approximately 59.5% of the global supply of CPO in 2023 is produced in Indonesia, while approximately 24.1% is produced in Malaysia and approximately 4.5% is produced in Thailand.

A decline in prices of competing edible oils, produced either by our competitors or other producers of such edible oils, could have an impact on the demand of palm oil if consumers increase the usage of these edible oils in place of palm oil. As a result, our oil palm business and financial performance will be adversely affected.

Although we seek to continue to adopt appropriate strategies to remain competitive, there can be no assurance that competition from palm oil producers and other producers of substitute products of palm oil will not have an adverse impact on our business operations and financial performance.

9.2.3 Demand for vegetable oils including CPO and other palm oil-based products may be affected by current and future consumer trends and preferences

The edible oil business is characterised by frequent changes in consumer preferences. Our success and profitability will depend on our ability to anticipate and respond to the competitive factors affecting the industry including changing consumer preferences and prices of competing alternative edible oils, introduction of new products and economic conditions. There can be no assurance that we will be able to respond effectively in a timely manner and be able to retain our customers.

Demand for our palm oil products may be affected by changes in the perception of climate change costs and benefits connected with palm oil production as well as cost arising from the imposition and enforcement of more stringent environmental regulations. Demand for CPO and other palm oil-based products may be affected by campaigns brought by environmental groups. For example, environmental non-governmental organisations have challenged the sustainability of growth in palm oil production and whether the climate change benefits obtained from using biofuel outweigh the perceived environmental costs of increased palm oil production. These environmental groups have also raised concerns that oil palm plantations result in the destruction of large areas of tropical forests and wildlife habitats and have campaigned to promote sustainable oil palm cultivation and environmentally friendly practices on oil palm plantations. It is possible that our sustainable practices may be challenged and we may be required to dedicate significant resources to respond to such claims. It may also be possible that there will be increasing limitations placed on the operations of those in the oil palm-based industry in the form of government legislation or by internal policies adopted by customers.

Should changing consumer trends and/or preferences reduce the demand for CPO and other palm oil-based products, including as a result of environmental concerns, our business, financial condition, results of operations and prospects may be materially and adversely affected.

9.2.4 Our business operations and financial performance may be affected by outbreak of pandemics of infectious disease such as COVID-19 or other health epidemics

The outbreak of COVID-19 resulted in significant economic uncertainty and global instability during the Financial Years Under Review which had led to a decline in the global economic activity, including in Malaysia. Although the Government had implemented various measures and restrictions on the conduct of activities to contain the spread of the virus, the MCO period did not have a material adverse impact on our operations.

If there is an outbreak of pandemics of infectious disease such as COVID-19 or other health epidemics, whether in Malaysia or in other countries, such developments may lead to the re-introduction of restrictions on economic activity, possibly for longer durations, which may result in material disruptions to our supply chain. These outbreaks in the future may create similar or worse economic uncertainty in financial and commercial markets, and may adversely affect our business, financial condition, results of operations, cash flows or prospects.

Please refer to Sections 7.18 of this Prospectus for details of interruptions to our business and operations.

9.3 RISKS RELATING TO OUR SHARES

9.3.1 The sale, or possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have a total of 2,500,000,000 Shares in issue, of which up to 875,000,000, representing up to 35.0% of our enlarged number of issued Shares, will be held by investors participating in our Listing, and the remaining 1,625,000,000 Shares, representing 65.0% of our enlarged number of issued Shares, will be held by our Promoters via their direct and/or indirect interests in our Company. Save for the restrictions pursuant to the moratorium and our lock-up arrangements as set out in Sections 2.2 and 4.7.3 of this Prospectus respectively, our Shares sold in our IPO will be traded on the Main Market of Bursa Securities without restrictions following our Listing.

Our Promoters and other shareholders, including the Selling Shareholders, could dispose some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If our shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected. Furthermore, if the trading volume of our Shares is low, price fluctuations may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price of our Shares.

9.3.2 There is no prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. There can be no assurance that the Final Retail Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon our Listing. There also can be no assurance that the Final Retail Price will not decline below the price of our IPO Shares.

Our Promoter, Kulim, was listed on the Main Market of Bursa Securities in 1975 and was subsequently delisted in 2016. The price and liquidity of Kulim's shares prior to its delisting are not indicative of the future price and liquidity of our Shares and should not be considered when making an investment decision in relation to our Shares.

9.3.3 Certain holders of our Shares may not be able to participate in future equity or rights offerings and, as a result, may experience dilution of their holdings

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities and to elect to receive stock dividends in lieu of future cash dividends. However, we will not distribute such rights to holders of our Shares unless the distribution and sale of such rights and underlying securities are either exempt from registration under the U.S. Securities Act, with respect to all holders of our Shares, or are registered under the U.S. Securities Act. We cannot assure you that we will be able to establish an exemption from registration under the U.S. Securities Act with respect to any distribution of such rights and underlying securities, and we are under no obligation to file and have declared effective a registration statement with respect to these rights or underlying securities. Accordingly, certain holders of our Shares may be unable to participate in any such rights offerings and, as a result, may experience dilution of their holdings.

9.3.4 Our Share price and trading volume may be volatile

The performance of Bursa Securities is dependent on external factors such as the performances of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the local economy. These factors constantly contribute to the volatility of share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of the securities listed on Bursa Securities.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) trading liquidity of our Shares;

(ii) future sales of our Shares;

(iii) variations in our financial results and operations;

(iv) success or failure in our management team in implementing business and growth strategies;

(v) gain or loss of an important business relationship;

(vi) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(vii) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(viii) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(ix) additions or departures of our Key Senior Management;

(x) fluctuation in stock market prices and volume;

(xi) involvement in litigation;

(xii) perceived prospects of our business and the industry in which we operate;

(xiii) adverse media reports regarding us or our shareholders;

(xiv) changes in government policy, legislation or regulation;

(xv) general operational and business risks; or

(xvi) natural disasters, health epidemics and outbreaks of contagious diseases.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility, which have affected the share prices of many companies. The share prices of many companies have experienced wide fluctuations which were not always related to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We propose to pay dividends out of cash generated by our operations after setting aside necessary funding for capital expenditures and working capital needs. Dividend payments are not guaranteed, and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on any outstanding borrowings we may have at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.

9.3.6 Failure or delay in our Listing

Our Listing could be delayed or terminated due to possible occurrences of certain events, which include the following:

(i) our Managing Underwriter and Joint Underwriters exercising their rights pursuant to the Retail Underwriting Agreement, or our Joint Global Coordinators and Joint Bookrunners exercising their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of at least 25% of our enlarged number of issued Shares to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of our Listing; or

(iii) the revocation of approvals from relevant authorities prior to our Listing or Admission for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

(i) if the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) if our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) if the SC issues a stop order under Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall forthwith be repaid without interest, and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC from the expiry of that period pursuant to Section 245(7)(b) of the CMSA; or

(ii) if our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

    (a) the sanction of our shareholders by way of special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya), and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

    (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9.3.7 The interest of our Substantial Shareholders who control our Group may not be aligned with the interest of our shareholders

Upon Listing, our Substantial Shareholders will hold in aggregate 65.0% of our enlarged number of issued Shares. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law, or by relevant guidelines or regulations.

There can be no assurance that the interests of our Substantial Shareholders will always be aligned with those of our other shareholders.

9.3.8 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are made based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, including COVID-19 related factors, risks, and challenges, which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements, or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.