

6. BUSINESS OVERVIEW (CONT'D)

The Group believes that its core competency lies in its ability to develop new systems and products based on agro-technology to provide solutions on issues of productivity, efficiency and effectiveness in today's plantations. Its strength has earned the Group, through its wholly owned subsidiary GTSSB, a strategic alliance with the RRIM vide an agreement dated 16 September 1997 to manufacture, assemble and supply the RRIMFLOW system to end users according to quality standards and specifications set forth by the RRIM.

Pursuant to this agreement, GTSSB was required to pay royalty to the RRIM based on the annual sales quantity achieved. For the first and second years of operations under the agreement, the royalty band ranged from nil to RM0.0500 per set on total sales, for annual sales quantities ranging from less than 2.5 million units to above 5.0 million units as shown below:-

	Annual Sales Quantity	Royalty Payment to RRIM
(a)	Less than 2,500,000	Nil
(b)	2,500,001 to 3,000,000	RM0.0125 each on total sales
(c)	3,000,001 to 4,000,000	RM0.0250 each on total sales
(d)	4,000,001 to 5,000,000	RM0.0400 each on total sales
(e)	Above 5,000,000	RM0.0500 each on total sales

For the third and subsequent years of operations, the royalty band ranged from nil to RM0.1000 per set on total sales, for annual sales quantities ranging from less than 2.5 million units to above 5.0 million units as shown below:-

	Annual Sales Quantity	Royalty Payment to RRIM
(a)	Less than 2,500,000	Nil
(b)	2,500,001 to 3,000,000	RM0.0250 each on total sales
(c)	3,000,001 to 4,000,000	RM0.0500 each on total sales
(d)	4,000,001 to 5,000,000	RM0.0800 each on total sales
(e)	Above 5,000,000	RM0.1000 each on total sales

The agreement was for a period of five (5) years. On 26 February 1998, the RRIM and GTSSB had further added to the said agreement that royalty payments on partial RRIMFLOW sets sold shall be calculated proportionately, and that all monthly royalty payments shall be from the sales that have been paid by the customers.

Gimflow had later entered into the Technology Licensing Agreement with RIMCORP (which supersedes the earlier agreement), whereby Gimflow was granted the rights to use the MRB's know-how to manufacture and produce the RRIMFLOW system in Malaysia and to use, sell or otherwise distribute the RRIMFLOW system in or outside of Malaysia. RIMCORP had vide a letter dated 8 October 2003 further given an undertaking that RIMCORP shall not, during the term of the Technology Licensing Agreement, grant a similar licence to other parties for so long as Gimflow is not in breach of any of the terms and conditions of the Technology Licensing Agreement. The Technology Licensing Agreement is for a period of seven (7) years and is renewable on a mutually agreeable basis, subject to a renegotiated rate of royalty.

The partnership with the MRB through RIMCORP, coupled with the Group's forte in developing and manufacturing agro-technology products, represent a synergistic and mutually beneficial alliance. The Group's potential is also seen through its continuous efforts to develop new products and services based on agro-technology to suit a wider range of clones and conditions of plants. Please refer to Section 6.11 "R&D" for further information on the Group's development efforts.

6. BUSINESS OVERVIEW (CONT'D)

6.8 Estimated Market Coverage, Position and Share

Whilst there are many players in the market for agricultural products, the Board of Greenyfield is of the view that there is currently no major direct competitor that is a “one-stop” agricultural solutions provider such as the Greenyfield Group which focuses on the development, manufacture and marketing of agro-technology products and services for rubber plantations.

The Group’s core system/product, the RRIMFLOW system, is presently exclusively manufactured and distributed by the Group. However, there are various methods of stimulation used to obtain higher rubber yields in the market. Apart from the RRIMFLOW system, REACTORRIM and G-FLEX are other methods of stimulation for rubber trees. The Group has no official sources of information on its current market share or that of the other systems.

6.9 Growth Strategies

In order to realise its vision to become a world-class total plantation solutions and technical support services provider, the Greenyfield Group needs to meet the challenges faced by the agricultural industry as well as fulfill the growing expectations of the market, while maintaining its profitability. As such, the Group needs to balance business expansion, operational efficiency and technological enhancement with financial viability.

The Greenyfield Group plans to expand its customer base in overseas markets such as Thailand, Indonesia, Vietnam, Cambodia, China, India, Sri Lanka, Myanmar, Papua New Guinea, South America and West Africa. The following strategies will be adopted by the Group for both its domestic and regional expansion:-

(a) Expansion of Distribution Channels

The Group employs a proactive marketing strategy in expanding its network of distribution channels.

In 2003, the Group had set up a marketing and technical support service centre in Sungai Petani, Kedah to cater to its current and potential customers in the northern part of Peninsular Malaysia as well as to monitor the demand for the Group’s products and services and the results achieved by customers. Technical personnel are deployed to assess and rectify any major deviation in results recorded by the Group’s customers. This strategy has a two-pronged effect, that is, it enables the Group to sustain closer relationships with its existing customers as well as to generate new business leads.

The proposed listing of Greenyfield will provide the Group with the necessary funds to set up marketing and technical support service centres in the southern and eastern regions of Peninsular Malaysia. This strategy will enable the Group to monitor and gain access to rubber plantations located in states such as Pahang, Kelantan and Johor. In addition to setting up marketing and technical support service centres in Malaysia, the proposed listing of Greenyfield will also provide the Group with the necessary working capital to accelerate its expansion into foreign markets such as Indonesia and Thailand.

For new prospects, or upon entering a particular foreign market, the Group will conduct a direct sales visit complete with product demonstration. Subsequently, a distribution centre will be set up in that country, should the feasibility study prove viable. To reduce its risks in a foreign country, the Group will likely seek a strong local partner, with a proven track record, to market its products and services in that country.

On 15 November 2000, GTSSB had appointed PT Buana Internusa as the exclusive dealer for the Group’s products in the area of Sumatra, Indonesia for a ten (10)-year period. PT Buana Internusa is currently a major customer of the Greenyfield Group.

6. BUSINESS OVERVIEW (CONT'D)

(b) Marketing Strategy

To reach each and every rubber plantation in Malaysia, the Group's marketing personnel have been travelling extensively, demonstrating and promoting the Group's range of products and services while offering advice to overcome some of the problems faced by the smallholders. The Group has prepared promotional items such as video compact diskettes (VCDs) documenting the application and effectiveness of the RRIMFLOW system, as well as interviews with private smallholders and estate managers of government agencies, on the rewards of using the RRIMFLOW system, and various brochures showing the Group's range of products and services.

The proposed listing of Greenyield will provide the Group with the necessary working capital and enhanced credibility to increase its market penetration rate in Malaysia, particularly in respect of government-related agencies such as FELDA, FELCRA and RISDA, and private smallholders and estates.

(c) Strategic Alliances

The Group will continue to explore strategic alliances and joint venture opportunities with suitable partners. Such alliances comprise distributorship and partnership arrangements with selected industry players, thus enabling the Group to rapidly reach out to a wider market and at the same time, minimise the cost of market penetration.

In securing such alliances in foreign markets, the Group will conduct direct marketing and technical presentations to the prospective partners. The Group will also continue to identify new partners, customers and suppliers by regularly participating in and/or visiting trade shows, exhibitions, technical presentations and relevant workshops.

(d) After-Sales Technical Support Service and Maintenance Strategy

A proactive approach will also be adopted towards customer service, which includes regular technical visits to plantations and advice to customers, distributors and new prospects alike.

The directors of Greenyield believe that after-sales service is important in enhancing customer satisfaction and building customer loyalty. Thus, the Group places great emphasis on customer satisfaction and is constantly visiting plantations to understand the circumstances and requirements of its customers, and to build rapport with them.

In order to ensure that the Group is able to provide after-sales service in a timely manner to its existing and potential customers in the northern part of Peninsular Malaysia, the Group has set up a marketing and technical support service centre in Sungai Petani, Kedah. It is also a strategic branch office to cater to the needs of current and potential customers in the southern region of Thailand.

As a maintenance strategy, the Greenyield Group, through its R&D efforts, is able to offer innovative solutions to overcome constraints faced by its customers, including localising the RRIMFLOW system and fertiliser formulations to suit climatic variations. The marketing and R&D teams work together to obtain feedback on the Group's products and services and address customers' requirements.

6. BUSINESS OVERVIEW (CONT'D)

6.10 Competitive Advantages

6.10.1 "One-Stop" Solutions Provider

The Group establishes itself as a "one-stop" agricultural solutions provider focusing on the development, manufacturing and marketing of products and services based on agro-technology. The Group has also been successful in positioning itself as an agricultural yield enhancement specialist providing solutions on operational viability and growth enhancement technologies which are cost-effective and efficient. Through advisory services rendered by the Group to its customers, it has been able to gather up-to-date information for R&D purposes, product development and market penetration. Thus, being a total solutions provider has a two-pronged effect i.e. being able to sustain closer relationships with the Group's existing customers and also being able to generate new business leads.

To the best of the knowledge and belief of the Board of Greenyard, there is presently no competitor that can provide such a wide range of agro-technology products and services competitively to the rubber sector.

6.10.2 Increasing Market Acceptance and Export Sales

The Group's revenue from its agricultural products has increased steadily over the last three (3) financial years ended 31 July 2003 to 2005, and the eight (8) months ended 31 March 2006 as shown in the table below:-

Revenue from Agricultural Products	←-----Financial Year Ended 31 July-----→						8 Months Ended 31.03.2006	
	2003		2004		2005		RM'000	%
	RM'000	%	RM'000	%	RM'000	%		
Local	8,670	79.4	6,677	57.7	5,690	43.7	3,213	48.8
Export	2,250	20.6	4,888	42.3	7,320	56.3	3,370	51.2
Total	10,920	100.0	11,565	100.0	13,010	100.0	6,583	100.0
Growth (%)	24.9		5.9		12.5		N/A	

Note:-

N/A Not applicable

The Group's revenue from agricultural products is mainly derived from the local market, with sales mainly contributed by the RRIMFLOW system. In addition to an expanding local market, the Group's export sales are also picking up, with sales of agricultural products to countries such as Indonesia, Thailand, Papua New Guinea, Sri Lanka, India, Vietnam, Cambodia and China.

The financial assistance granted by the Government in 2001 by way of a RM100 million grant through the Ministry of Rural Development, and a 70:30 quasi grant loan of RM80 million through the Ministry of Primary Industries, has encouraged the smallholders and estate owners who were converting to oil-palm plantations to return to the rubber industry. The scheme has acted as a catalyst to promote the adoption of agro-technology to increase the yield of rubber in view of the current remunerative rubber prices. Following this, the benefits of the RRIMFLOW system have generated recurring demand from its users notwithstanding the financial assistance rendered by the Government. With the good prospects seen through the increasing global demand for natural rubber, the Group expects sales of the RRIMFLOW system to continue its upward trend as the product is promoted to other rubber producing countries such as Thailand and Indonesia. Hence, the Board views the prospects of the Group's core product as promising.

6. BUSINESS OVERVIEW (CONT'D)

The Group's export sales are actively promoted through distributorship agreements with strategic foreign partners, such as P.T. Buana Internusa of Indonesia. According to Bank Negara Malaysia's Annual Report 2005, natural rubber production is projected to increase marginally to 1.15 million tonnes in 2006.

6.10.3 Reputable and Diversified Customer Base / Strong Customer Relationships

The Group has a reputable and diversified base of customers, with large governmental agencies such as the MRB, FELDA, FELCRA and RISDA being purchasers of its plantation products. Purchases by these agencies are generally made on behalf of smallholders, who place their orders for products such as the RRIMFLOW system with the governmental agencies. This reflects a diversified user base for the plantation products sold by the Group. The Group's customers also include companies such as Golden Hope Plantations Berhad, Kumpulan Ladang-Ladang Perbadanan Kedah Sdn. Bhd. and Innozest Sdn. Bhd. As for plastic and wood products, the Group's customers include companies in the USA, the UK, Europe and Japan. Sales relationships with these overseas companies have averaged three (3) to five (5) years.

The continuous orders obtained from these customers through the years show the strong working relationship and mutual business support. This support is made possible through the commitment given by the Group to provide total plantation solutions and technical support services as well as quality products to its customers.

6.10.4 Strong R&D Capabilities

The Group's R&D activities have resulted in the development and production of agricultural products such as Ethephon Plus and new agricultural nutrients, fertilisers and chemicals. Through its development efforts, the Group has also designed the applicator for the RRIMFLOW system.

The Group focuses on product and process development through R&D to produce products that are effective and efficient in yield enhancement. The Group's R&D activities are undertaken by a team of technically competent personnel, headed by Dr. Sivakumaran a/l Seenivasagam, who was the Director, Production Research and Development Division of the MRB from 1998 to 2000, and Dr. Mohamed Yusoff Mohd. Noor. For the purpose of R&D, the Group has invested significant financial and human resources to expand its portfolio of commercially viable and effective products and services.

The Group is committed to R&D in order to remain competitive. The main thrust of the core R&D programme is to achieve forward integration with the Group's current operations. The directors of the Company believe that growth through technological advancement is vital in maintaining the Group's competitive edge.

6.10.5 Intellectual Property

One of the Group's key achievements is the design of the applicator for the RRIMFLOW system. The Group has been granted a Certificate for Utility Innovation for the RRIMFLOW applicator on 31 March 2004 by the Intellectual Property Corporation of Malaysia, which expires on 31 March 2009. The said certificate can be renewed for a maximum of two (2) further periods of five (5) years each. The applicator is one of the main components of the RRIMFLOW system, as leakage caused by poor applicator design could result in the loss of ethylene gas. The Group believes that the design of the applicator is a demonstration of the Group's commitment to innovate.

6. BUSINESS OVERVIEW (CONT'D)

Further R&D efforts have resulted in the Group filing a patent application in Malaysia on 10 May 2005 (application no.: PI 20052077) for an invention relating to an improved method of maximising the number of tappings per month or per year by the appropriate placement of short cuts on the tapping panel in combination with an improved version of the RRIMFLOW applicator (i.e. the Instant Fixing Applicator). Corresponding patent applications have been filed in China, Vietnam, Thailand and Indonesia, which are other rubber producing countries.

The Group has also applied for a patent in Malaysia related to an invention entitled "Moulded Thermoplastic Resin Articles with Travertine-Like Appearance" under Application No. PI 20062521 filed on 1 June 2006. This patent application relates to the material the Group has developed for the manufacture of its "Artstone" plant pots, which exhibits a travertine-like appearance. Priority claims are available for filing in other countries.

6.10.6 Strategic Alliance with the MRB

The good relationship between the Group and the MRB started in 1997 when GTSSB was appointed to manufacture, assemble and supply gadgets used in the RRIMFLOW system for sale to the rubber industry. In 2003, the Group formed a strategic alliance with RIMCORP, which is the commercial arm of the MRB, pursuant to the Technology Licensing Agreement, whereby Gimflow was granted the rights to use the MRB's know-how (as defined therein) to manufacture and produce the RRIMFLOW system in Malaysia, and to use, sell and distribute the RRIMFLOW system in and outside of Malaysia for a period of seven (7) years. The Technology Licensing Agreement is renewable on a mutually agreeable basis, subject to a renegotiated rate of royalty. RIMCORP had vide a letter dated 8 October 2003 also given an undertaking that it shall not, during the term of the Technology Licensing Agreement, grant a similar licence to other parties for so long as Gimflow is not in breach of any of the terms and conditions of the Technology Licensing Agreement.

The good relationship between the Group and the MRB is again demonstrated through the joint effort by both parties in the formulation of a fertiliser with the commercial name "Greenyield", for rubber trees undergoing liquid or gaseous stimulation. The Group and the MRB are currently in negotiations to enter into an agreement to commercialise the "Greenyield" fertiliser.

The synergistic collaboration by both parties has given rise to a win-win situation of continuous progress in agro-technological development.

6.10.7 Stringent Quality Assurance

For GISB, which is involved in manufacturing agricultural products, and plastic and wood products, quality assurance is of paramount importance. The Group is committed to achieving quality in all its products in order to meet the increasing requirements and expectations of its customers.

GISB adopts a quality management system called the Inspection Plan. The Inspection Plan specifies all the necessary inspection requirements from input to process and process to output. The company applies the Military Standards MIL-STD-105E based on the Acceptable Quality Level ("**AQL**"), which is the maximum percentage of defective units (or maximum number of defects per hundred units) for the purpose of sampling inspection.

The Group's commitment to quality is evidenced by the international accreditation received by GISB from BM TRADA Certification Ltd, certifying that the plastic injection plant of GISB meets the requirements of ISO 9001:2000. This endorsement signifies the standard of quality adopted by GISB and reflects the Group's continuous efforts to deliver high quality products to its customers.

6. BUSINESS OVERVIEW (CONT'D)

6.10.8 Management Expertise, Leadership and Track Record

The Group is under the leadership of Mr. Tham Foo Keong who is the Executive Chairman and Group Managing Director. With a degree in engineering and technical expertise accrued from several years of employment with multinational corporations, Mr. Tham Foo Keong has led the Group with an enterprising vision.

The Group also has a strong team of researchers. The Director of Research, Dr. Sivakumaran a/l Seenivasagam, was in the employment of the MRB from 1970 to 2000, where his last position was Director of the Production Research and Development Division. He has produced numerous publications on the rubber industry and achieved much recognition for his work. Dr. Mohamed Yusoff Mohd Noor is the Head of Research who also possesses vast experience in smallholder project research and soil and crop management. For further details on the qualifications and experience of the Group's directors and key management and technical personnel, please refer to Section 7.4 "Board of Directors" and Section 7.6 "Key Management and Technical Personnel" of this Prospectus.

The Group believes that factors such as management and technical expertise, leadership with entrepreneurial vision and a good track record are essential for success in the industry.

6.10.9 Skilled and Dedicated Staff

The Group is backed by a team of skilled and dedicated staff, most of whom have agricultural industry knowledge and technical expertise including engineering, R&D, marketing and sales. In addition, the Group's R&D team is experienced in the rubber industry, integrated farming and LITS. In order to maintain its skilled staff force, the Group will be implementing the ESOS in conjunction with its listing on the MESDAQ Market.

6.10.10 Product Diversity

The Group has been developing new products such as those mentioned in Section 6.5 "Products and Services" above. Such new product development is in line with the Group's objectives and reduces the Group's dependence on its current core products, being the RRIMFLOW system and Ethephon Plus.

The diversity of products offered by the Group is with the aim of providing total plantation solutions to its customers with respect to yield enhancement and crop management. The creation of new products is directed towards addressing the needs of the plantations and the problems faced by the smallholders.

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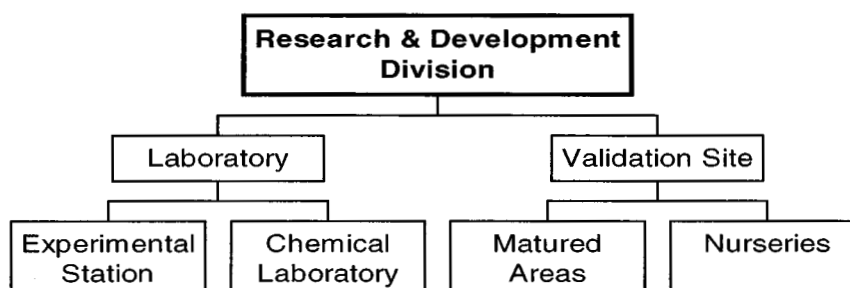
6. BUSINESS OVERVIEW (CONT'D)

6.11 R&D

6.11.1 R&D Team

The Group's R&D initiatives are housed under GTSSB. Dr. Sivakumaran a/ Seenivasagam and Dr. Mohamed Yusoff Mohd Noor are the Director of R&D and the Head of the Group's R&D division respectively. They are assisted by a team of five (5) Malaysian staff with the relevant experience and qualifications in the agriculture sector.

The Group's R&D division can be divided into the following sub-divisions:-



The Group currently conducts its R&D activities internally and through collaboration with third parties. As part of the Group's plans, the R&D work will also be done through the acquisition of other research centres and/or projects in the future. The Group has a dedicated team of experienced researchers conducting its in-house R&D activities. In addition, the Group also has cross-sectional R&D assistance from employees of its other divisions such as production and marketing, as the Group has a number of employees with a strong agricultural research background. The Group's management team, and production and marketing staff will also work closely with the R&D department to further develop products/systems and services, and explore new areas of technology.

The Group has established a R&D Evaluation and Monitoring Committee ("**RDEMC**"). The RDEMC's overall responsibility in the Group is to evaluate and advise on the feasibility and commercial viability of the R&D projects proposed by the R&D division, and to monitor the progress and development of R&D projects undertaken. The focus of the RDEMC is also to add value to and improve the R&D effectiveness.

The Group plans to continue to make investments in the R&D of new agro-technology products/systems and services. Such R&D efforts include market feasibility studies of opportunities and the commercial viability of developing new agro-technology products/systems. The Group has allocated RM1.5 million of the proceeds from the Issue for the acquisition of land to be used as field laboratories for R&D on yield enhancement technologies, fertilisers, growth promoters and chemicals, to be utilised within 24 months from the listing date.

6.11.2 Capabilities / Achievements

The results achieved by the R&D team include the following:-

(a) Applicator for RRIMFLOW System

- (i) Further improved the geometric design and configuration of the applicator for easy fixing on the cylindrical shape of the rubber tree trunk;

6. BUSINESS OVERVIEW (CONT'D)

- (ii) Further developed the appropriate size and capacity of the applicator to contain the right volume of gas for an effective yield response from rubber trees;
- (iii) Developed an effective bonding of the inlet / outlet tube to the body of the applicator without detachment over prolonged use in the field; and
- (iv) Identified a suitable plastic material for making the applicator, which can withstand a reasonable usage period under adverse environmental conditions in the field.

(b) Improvements in Field Installation

The R&D team has identified a water reactive glue for fixing the RRIMFLOW applicator on the bark tissues of the rubber tree trunk. The water reactive glue has the following benefits:-

- (i) It enables faster installation of the applicator on the rubber tree, thus substantially reducing the initial costs of implementation besides improving the attachment of the applicator on the tree trunk; and
- (ii) It enables the fixing of the applicator under wet conditions in the field or in the early hours of the morning with high humidity, which was previously not possible with the use of contact adhesive.

The use of contact adhesive instead of bituminous sealant for external sealing of the applicator on the bark tissues of the rubber tree trunk, has minimised the leakage problem and overcome the need for maintenance of the applicator during the first three (3) months after the initial fixing. The use of the bituminous sealant previously had resulted in moisture retention between the flanges of the applicator and the bark tissues over the area of sealing due to softening of the bark tissues.

The Group has developed an improved method of fixing the applicator on rubber trees that will reduce labour usage, making the process more efficient (i.e. the Instant Fixing Applicator). The gaseous stimulation system incorporating the Instant Fixing Applicator is currently being marketed on a trial basis and its performance is still subject to evaluation by the Group's customers.

(c) Enhanced Gassing Equipment

- (i) The R&D team has developed a pre-set regulator for the dispensation of a fixed dose / volume of gas per tree, thus increasing the number of trees gassed per kilogram of gas, and reducing the cost of stimulant per tree per annum.
- (ii) The R&D team has also produced a reduced size and weight of gas cylinders used with the RRIMFLOW system, thus making it easier for the workers and smallholders to handle the cylinders without having to carry a heavy load on their shoulders. This has also enabled them to increase their rate of gas applications with more trees covered per hour.
- (iii) Work is also in progress to develop a disposable miniature gas cylinder, which can be discarded after use. This development will enhance the logistics of the current gas delivery system.

6. BUSINESS OVERVIEW (CONT'D)

(d) Development of Agricultural Nutrients and Fertiliser

The R&D team has developed various agricultural nutrients and fertilisers. These products are given commercial names such as Ethephon Plus and GreenPlus.

The active ingredient of Ethephon Plus breaks down within rubber bark tissues through a process of hydrolysis to release ethylene, a plant growth regulator which is also naturally present in most plants. Ethylene in turn induces yield stimulation through increased latex flow in rubber trees. It is also known to have effects on other plants which include enhanced flowering and fruit formation in fruit trees, an increase in sugar content in treated sugarcane plants and increased cotton production in treated cotton plants. New formulations of Ethephon Plus incorporating various additives are being developed in the laboratory. Their effectiveness in further enhancing the yield responses of rubber trees, as compared to the current Ethephon Plus, are currently being tested in the field.

GreenPlus is a liquid foliar nutrient specially formulated to promote plant growth at the vegetative stage. It contains the essential macronutrients, micronutrients, amino acids and a growth promoter needed for enhancing the growth rate and vigour of several types of plants and plantation crops for early yields. GreenPlus is being marketed for use on vegetable crops and rubber seedlings or buddings. The product is currently undergoing field trials to collect data on its effects on the growth and vigour of selected vegetable and fruit tree crops, flowering plants and oil-palm seedlings.

Efforts are also in progress to widen the usage of the Wound Healing Compound from its existing application primarily on tapped panels of rubber trees. In particular, attention is being focused on its usage on ornamental and way side trees for rapid healing of pollarded surfaces after regular pruning rounds.

Apart from the above, GTSSB and the MRB have jointly formulated a fertiliser with the commercial name "Greenyield" for rubber trees undergoing liquid or gaseous stimulation. This fertiliser is specially formulated to provide adequate plant nutrients in order to sustain high latex yield and to maintain the vigour of the stimulated trees. It has a balanced formulation to suit different kinds of stimulation i.e. liquid stimulation using Ethephon Plus or gaseous stimulation using the RRIMFLOW system. A field trial has been initiated to establish the positive attributes of this product in comparison with other fertilisers, for its ability to sustain the enhanced yield responses of the RRIMFLOW system. The Group and the MRB are currently in negotiations to enter into an agreement to commercialise the "Greenyield" fertiliser.

6.11.3 R&D Expenditure

The R&D expenditure spent in the last three (3) financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006 as a percentage of the Group's revenue is as follows:-

Financial Year Ended 31 July	2003 RM'000	2004 RM'000	2005 RM'000	8 Months Ended 31.03.2006 RM'000
Total R&D expenses	139	144	321	255
Total R&D expenses as a percentage of the Group's total revenue (%)	0.97	1.09	2.17	3.08

6. BUSINESS OVERVIEW (CONT'D)

6.11.4 Objectives of R&D

The R&D objectives of the Group for the next five (5) years include the following:-

(a) Product Enhancement and Development

The Group places high priority on its R&D efforts in product enhancement and development. As part of its product enhancement and development strategy, the Group is focused on upstream (i.e. growth at the nursery stage) and midstream (i.e. growth at the plantation/estate stage) activities by undertaking research to understand the shortcomings of existing products and customer needs, as well as opportunities to develop new products to alleviate the problems faced in both upstream and midstream activities in the plantation sector.

(b) R&D Process Enhancement

An important aspect of technology improvement is the ability of the R&D division to improve the R&D processes to be more efficient and effective, and to reduce the time frame needed to complete R&D activities and bring the researched products to the commercial market.

6.11.5 R&D Strategies

To achieve its R&D objectives, the following strategies are and/or will be adopted by the Group:-

- (a) The Group will form strategic alliances with its customers and other parties for the purpose of undertaking R&D activities on designated sites in their plantations. These sites will constitute field laboratories.

The strategic alliances that have been formed to date are as follows:-

- (i) On 24 April 2004, the Group through GTSSB had entered into a Research & Development Facility Agreement with P.T. Bumi Rambang Kramajaya (“PTBRK”) of Indonesia whereby PTBRK will allocate approximately 2,310 rubber trees and 900 rubber plants in Palembang, Indonesia for GTSSB to conduct R&D;
 - (ii) Pursuant to a letter dated 13 September 2003, RISDA Smallholders Plantation Sdn. Bhd. had agreed to work with Gimflow to conduct R&D on the RRIMFLOW system in its estate; and
 - (iii) Pursuant to a letter dated 6 September 2002, the MRB had agreed to allocate a testing and demonstration plot in the RRIM Research Station in Sungai Buloh, Selangor Darul Ehsan for Gimflow to conduct R&D on the RRIMFLOW system; and
- (b) The Group will acquire research centres and/or projects that have commercial value and will complement the Group’s existing portfolio of agro-technology products/systems and services.

6. BUSINESS OVERVIEW (CONT'D)

6.12 Technology, Intellectual Property and Licences

6.12.1 Technology and Intellectual Property

As a result of its development efforts, the Group has been granted a Certificate for Utility Innovation for the RRIMFLOW applicator on 31 March 2004 by the Intellectual Property Corporation of Malaysia, which expires on 31 March 2009. The said certificate can be renewed for a maximum of two (2) further periods of five (5) years each. The applicator is one of the main components of the RRIMFLOW system, as leakage caused by poor applicator design could result in loss of ethylene gas during intervals between intermittent gassing.

Further R&D efforts have resulted in the Group filing a patent application in Malaysia on 10 May 2005 (application no.: PI 20052077) for an invention relating to an improved method of maximising the number of tappings per month or per year by the appropriate placement of short cuts on the tapping panel in combination with an improved version of the RRIMFLOW applicator (i.e. the Instant Fixing Applicator). Corresponding patent applications have been filed in China, Vietnam, Thailand and Indonesia, which are other rubber producing countries.

The Group has also applied for a patent in Malaysia related to an invention entitled "Moulded Thermoplastic Resin Articles with Travertine-Like Appearance" under Application No. PI 20062521 filed on 1 June 2006. This patent application relates to the material the Group has developed for the manufacture of its "Artstone" plant pots, which exhibits a travertine-like appearance. Priority claims are available for filing in other countries.

The Group has registered the following trademarks:-

Trademark Owner	Trademark Name	Class	Purpose
GISB	GIM 777	8	Branding
GISB	GIM 777	28	Branding
GTSSB	GREENYIELD	20	Branding
GTSSB	GREENYIELD	21	Branding
RCP	PLANTONE	1	Branding
RCP	PLANTONE-R	1	Branding
RCP	FRUMONE	1	Branding

The Group has also applied for the registration of the following trademarks:-

Trademark Owner	Trademark Name	Class	Purpose
GISB	GIM 777	31	Branding
GTSSB	GREENYIELD	31	Branding
GTSSB	GREENYIELD	1	Branding
GTSSB	E-PHON PLUS	1	Branding
Gimflow	GIMFLOW	1	Branding
GTSSB	GREENPLUS	1	Branding
RCP	ETHEPHON PLUS	1	Branding

6.12.2 Licensed Intellectual Property

The Group has formed a strategic alliance with RIMCORP pursuant to the Technology Licensing Agreement, whereby Gimflow was granted the rights to use the MRB's know-how (as defined therein) to manufacture and produce the RRIMFLOW system in Malaysia, and to use, sell and distribute the RRIMFLOW system in Malaysia and overseas for a period of seven (7) years. The board of the RRIM is the owner of the intellectual property rights to the MRB's know-how, and in consideration for the said

6. BUSINESS OVERVIEW (CONT'D)

rights, Gimflow has to pay RIMCORP royalty of seven (7) sen for each set of the RRIMFLOW system sold, for all original and replacement sales, and a royalty of four (4) sen for each applicator sold where the applicator is not sold as part of a set. The Technology Licensing Agreement is renewable on a mutually agreeable basis, subject to a renegotiated rate of royalty. RIMCORP had vide a letter dated 8 October 2003 also given an undertaking that it shall not, during the term of the Technology Licensing Agreement, grant a similar licence to other parties for so long as Gimflow is not in breach of any of the terms and conditions of the Technology Licensing Agreement.

6.13 Major Customers

The Group supplies to both local and overseas customers.

For the last three (3) financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006, the customers who individually contributed 10% or more of the Group's total revenue were as follows:-

Name of Customer	Country	Products Purchased	Contribution to the Group's Revenue		Length of Relationship (Years)
			RM'000	%	
Financial Year Ended 31.07.2003					As at 31.07.2003
FELDA	Malaysia	Plantation-related	2,802	20	3
Narsco Trading & Supplies Sdn Bhd	Malaysia	Plantation-related	2,581	18	3
Financial Year Ended 31.07.2004					As at 31.07.2004
PT Bumi Rambang Kramajaya	Indonesia	Plantation-related	2,248	17	2
Innozest Sdn Bhd	Malaysia	Plantation-related	1,803	14	8
Narsco Trading & Supplies Sdn Bhd	Malaysia	Plantation-related	1,395	11	4
Financial Year Ended 31.07.2005					As at 31.07.2005
PT Bumi Rambang Kramajaya	Indonesia	Plantation-related	1,791	12	3
Felcra Agro Industry Sdn Bhd	Malaysia	Plantation-related	1,760	12	11
8 Months Ended 31.03.2006					As at 31.03.2006
Felcra Agro Industry Sdn Bhd	Malaysia	Plantation-related	1,769	21	12
Yamatoya Co.	Japan	Wood-related	993	12	3
Dong Nai Rubber Company	Vietnam	Plantation-related	842	10	1

The Group is of the view that its dependence on any particular customer is mitigated by its diverse and expanding customer base, particularly in overseas markets.

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6. BUSINESS OVERVIEW (CONT'D)**6.14 Major Suppliers**

For the last three (3) financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006, the suppliers who individually supplied 10% or more of the Group's total purchases were as follows:-

Name of Supplier	Country	Products Supplied	Proportion of the Group's Purchases		Length of Relationship (Years)
			RM'000	%	
Financial Year Ended 31.07.2003					As at 31.07.2003
Excellent Chemicals Industrial Sdn Bhd	Malaysia	Adhesive chemicals	541	12	3
Syarikat Perniagaan Soon Lee	Malaysia	Utensils	463	10	5
Financial Year Ended 31.07.2004					As at 31.07.2004
None					
Financial Year Ended 31.07.2005					As at 31.07.2005
Skapbina Sdn Bhd	Malaysia	Utensils	824	14	5
Transresin Sdn Bhd	Malaysia	Utensils	632	11	6
8 Months Ended 31.03.2006					As at 31.03.2006
Bostik Findley (M) Sdn Bhd	Malaysia	Glue materials	384	11	1

The Group is not dependent on any particular suppliers as it has been able to source the materials/products for its operations from various suppliers.

The materials and products purchased by the Greenyfield Group are mainly plastic materials, glue materials, chemicals, gas and utensils. These materials and products are widely available except for gas as there are only a few gas suppliers in Malaysia. Gimflow has entered into a Sole Distributorship Agreement with Southern Industrial Gas Sdn Bhd ("**SIG**") on 12 August 2002, whereby SIG agreed to appoint Gimflow as the exclusive sales representative for "Ethylene Gas (C₂H₄)" in Malaysia with effect from 12 August 2002. The agreement shall continue for a period of 3 years and shall thereafter be extended for a further period of 2 years, unless determined by either party by giving to the other not less than 3 months' notice in writing prior to expiry at any time on or after the third anniversary.

The prices of plastic materials are currently affected by the high crude oil prices. However, the Group mitigates the rising cost pressure through improvements in production efficiency.

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6. BUSINESS OVERVIEW (CONT'D)

6.15 Employees

As at 15 August 2006, being the latest practicable date prior to the printing of this Prospectus, the Group had 70 full-time employees and 49 contract staff in the following categories:-

Category	Full-Time Employees			Contract Workers			Total Employees	
	No.	%	Average Length of Service (Years)	No.	%	Average Duration of Contract (Years)	No.	%
Executive Directors (including subsidiaries)	7	5.88	9.74	-	-	-	7	5.88
Managerial and professional	5	4.20	2.16	-	-	-	5	4.20
Executive	12	10.08	8.80	-	-	-	12	10.08
Technical and supervisory	10	8.40	5.32	-	-	-	10	8.40
Clerical and related occupations (e.g. clerks, typists, secretaries, etc.)	3	2.52	2.08	-	-	-	3	2.52
General workers (e.g. telephone operators, drivers, office boys, gardener, etc.)	3	2.52	2.00	-	-	-	3	2.52
Factory workers	30	25.22	1.30	^a 49	41.18	3.47	79	66.40
	70	58.82		^a 49	41.18		119	100.00

Note:-

^a Factory workers of Bangladeshi and Nepalese nationality under contracts of employment with GISB holding valid working permits approved by the Immigration Department of Malaysia.

The Group does not have any information of its employees being members of labour unions and the management enjoys cordial relationships with the employees.

On 9 May 2003, the Department of Industrial Relations (Human Resource Department) ("**Department of Industrial Relations**") had written to the management of GISB notifying GISB that a constructive dismissal representation pursuant to Section 20 of the Industrial Relations Act, 1967 had been made by one Madam Lee Foong Keng against GISB. Subsequent to discussions held, GISB and Madam Lee Foong Keng had entered into an agreement memorandum on 18 November 2004 whereby the matter had been resolved without admittance of liability by both parties, and GISB had agreed to pay an ex-gratia sum of RM25,000 as full settlement to Madam Lee Foong Keng under Section 20 of the Industrial Relations Act, 1967.

Save for the above, there have not been any industrial disputes in the past between the employees and the management.

The Group recognises the importance of its employees and updates them on the latest developments in the industry as well as increases their skills and knowledge by sending them to various courses throughout the year as and when the need arises.

The Group has plans for growth and with the higher profile achieved through the listing exercise, the ability of the Group to attract qualified knowledge workers in the future to cater for the anticipated growth will be enhanced. In order to maintain its skilled staff force, the Group will be implementing the ESOS in conjunction with its listing on the MESDAQ Market.

6. BUSINESS OVERVIEW (CONT'D)

6.16 Location of Operations

The corporate office of the Greenyard Group is located in two (2) adjoining units of 4-storey terrace shop/offices at:-

No. 21 and 23, Jalan Seksyen 3/7
Taman Kajang Utama
43000 Kajang
Selangor Darul Ehsan

The Group has established a marketing and technical support service centre in Kedah to service the northern region of Peninsular Malaysia and the southern region of Thailand, which is located at:-

Ground Floor
No. 18, Lengkok Cempaka 1
Persiaran Cempaka Amanjaya
08000 Sungai Petani
Kedah Darul Aman

RCP is currently operating at the following location:-

No. 32, Jalan Seksyen 1/21
Taman Kajang Utama
43000 Kajang
Selangor Darul Ehsan

The industrial premises of the Greenyard Group belonging to GISB are located at:-

No. 116, Jalan 8
Kompleks Perabot Olak Lempit
Tanjung Dua Belas
42700 Banting
Selangor Darul Ehsan

The industrial premises are situated on a piece of land measuring approximately three (3) acres (1.214 hectares or 130,680 sq ft). At present, a 3-storey office building cum warehouse and four (4) units of single storey factories are erected on the said land. The factories consist of a wood storage cum assembly plant, a wood processing plant, a plastic injection plant and a spray plant.

The in-house R&D activities of the Group are currently undertaken by GTSSB at the following location:-

Ground Floor
No. 19, Jalan Seksyen 3/7
Taman Kajang Utama
43000 Kajang
Selangor Darul Ehsan

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6. BUSINESS OVERVIEW (CONT'D)**Premises Owned by the Group**

Registered Owner	Particulars of Title/Address	Description of Property / Existing Use	Tenure	Approximate Age of Building (Years)	Total Land Area / Built-Up Area (sq. m.)	Market Value (RM)	Net Book Value as at 31.01.2004 (RM)	Revaluation Surplus / (Loss on Revaluation) (RM)	Restrictions in Interest / Encumbrances
GTSSB	Geran 80929 and 80930 Lot 37811 and 37810 Seksyen 10, Bandar Kajang Daerah Ulu Langat Selangor Darul Ehsan	^a Two (2) units of four (4) storey shop lots <ul style="list-style-type: none"> • Unit 21 – intermediate unit / being used as office premises • Unit 23 – corner unit / being used as office premises 	Freehold Freehold	7 7	153.285 / 609.63 193.0462 / 748.52	^c 660,000 ^c 830,000	619,785 751,819 ^e 425,602 <u>1,797,206</u>	^g (307,206)	Assigned under a loan agreement cum assignment incorporating a power of attorney clause, and subsequent first legal charges when individual titles are available, which were subsequently issued to GTSSB on 1 October 2004.
GISB	H.S. (M) 5725, Lot PT 4055 Mukim Tanjung Dua Belas Tempatan Olak Lempit Daerah Kuala Langat Selangor Darul Ehsan (Address: 116, Jalan 8 Kompleks Perabot Olak Lempit Tanjung Dua Belas 42700 Banting Selangor Darul Ehsan)	^b The property is an industrial premise built upon with a single storey factory with a 3-storey office section at the front, 4 units of single storey factories and a guard house. The property is used as a manufacturing facility.	99-year leasehold expiring on 26.09.2087	5	12,140.56 / 6,977.98	^d 6,500,000	4,321,131	^f 1,568,786	The land must be used solely for the purpose of furniture manufacturing but has been approved by the state authority vide its letter dated 24 March 2004 for the activities of plastic injection moulding and vacuum forming of plastic parts. The land cannot be sold, charged, mortgaged or transferred in whatsoever manner except with the approval of the state authority. The factories and land were charged to Malayan Banking Berhad with the approval of the state authority vide its letter dated 19 November 1999.

6. BUSINESS OVERVIEW (CONT'D)**Notes:-**

- a Certificate of fitness for occupation issued on 18 November 1999. Because no approval was previously obtained from Majlis Perbandaran Kajang in respect of the renovation work carried out on these premises, GTSSB had on 6 December 2004 submitted an application to Majlis Perbandaran Kajang to seek the local council's approval. Majlis Perbandaran Kajang replied GTSSB on 20 January 2005 stating that the application for approval had been tabled at the Unit Pusat Setempat (OSC) Bil. 1/2005 meeting on 17 January 2005 with the decision to support the application made by GTSSB. Majlis Perbandaran Kajang further wrote to GTSSB on 11 March 2005 stating that the matter had been tabled at the Jawatankuasa Kecil Bangunan on 24 January 2005 and that the company was required to settle a compound payment of RM2,340 before a decision to approve the application could be granted. GTSSB paid the amount on 15 March 2005. The approval from Majlis Perbandaran Kajang was obtained on 26 March 2005.
- b Certificate of fitness for occupation issued on 28 February 2001.
- c Date of valuation is 14 June 2004.
- d Date of valuation is 14 June 2004.
- e Renovation cost for both units Nos. 21 and 23.
- f The revaluation surplus before deferred tax adjustment is RM2,178,869. After deducting deferred tax of 28% or RM610,083, the net revaluation surplus is RM1,568,786.
- g The revaluation surplus of GISB and loss on revaluation of GTSSB have been incorporated in the accounts of the Group for the financial year ended 31 July 2005. The revaluation surplus and loss on revaluation were computed based on the net book values of the respective properties as at 31 January 2004.

Rented Premises

Location of Property	Approximate Age of Building (Years)	Existing Use	Lessor	Monthly Rental (RM)	Date of Expiry of Lease	Approximate Built-Up Area (sq. m.)
No. 32, Jalan Seksyen 1/21, Taman Kajang Utama, 43000 Kajang, Selangor Darul Ehsan	8	Factory and storage	Sim Kok Peng	900	31 December 2006	510.5
Ground Floor, No. 19, Jalan Seksyen 3/7, Taman Kajang Utama, 43000 Kajang, Selangor Darul Ehsan	7	R&D	Pyramid Bond Sdn Bhd	575	30 November 2006	153.4

6. BUSINESS OVERVIEW (CONT'D)

6.17 Material Plant and Equipment

The Greenfield Group's manufacturing activities are undertaken by GISB. The plant and equipment comprises mainly plastic injection moulding machines for the manufacture of RRIMFLOW applicators and plastic products, and wood processing machinery. The production capacity of the plant is stated in Section 6.6 "Production Output and Processes" of this Prospectus.

The age of the plant and equipment varies, with the majority of the plastic injection moulding machines being less than ten (10) years old and the majority of the wood processing machinery being more than ten (10) years old. As at 31 March 2006, the total audited net book value of the manufacturing plant and equipment was RM1.254 million. In early 2006, GISB had purchased a new plastic injection moulding machine valued at RM195,000.

6.18 Operating Licences

GISB is the manufacturing arm of the Group. The company operates under the following licences:-

- (a) Pursuant to a letter from the Malaysian Industrial Development Authority ("MIDA") dated 12 October 1991, GISB is licensed under licence number A 007938 (serial number A 011318) to manufacture decorative lights, lighted figurines and parts thereof as from 22 August 1991;
- (b) Pursuant to a letter from the MIDA dated 28 August 1998, GISB is licensed under licence number A 007938 (serial number A 017605) and licence number A 011498 (serial number A 017606) to manufacture wooden toys as from 22 September 1997;
- (c) GISB is licensed under licence number W10-A031178 / 89 by the Royal Customs and Excise Malaysia to act as a licensed manufacturer of decorative lights, lighted figurines and parts thereof, and wooden products as from 11 January 1989; and
- (d) Pursuant to a letter from the MITI dated 19 December 2003 and a subsequent letter from the MIDA dated 10 May 2004, GISB is licensed under licence number A 007938 (serial number A 022104) to carry out the activity of injection moulding and vacuum forming of plastic parts as from 19 December 2003.

The conditions attaching to the above-mentioned manufacturing licences issued pursuant to the Industrial Co-ordination Act, 1975 are as follows:-

- (a) GISB shall notify the MITI of any sale of shares of the company;
- (b) GISB shall train Malaysian citizens to enable the transfer of technology and expertise at all levels of employment; and
- (c) GISB shall implement its project as approved subject to the conditions mentioned above and in accordance with the laws and regulations applicable in Malaysia.

In addition, pursuant to the letter from the MIDA dated 10 May 2004 on the approval for licence number A 007938 (serial number A 022104), GISB is required to comply with the following conditions:-

- (a) The manufacturing licence or a certified true copy of the manufacturing licence shall be exhibited in the factory where the manufacturing activity is carried out. The licence need not be renewed and is valid unless cancelled pursuant to the Industrial Co-ordination Act, 1975;
- (b) The approved activity has to be carried out within twelve (12) months from the effective date of the manufacturing licence or within a period approved by the licensing officer;

6. BUSINESS OVERVIEW (CONT'D)

- (c) GISB is advised to ensure that the composition of GISB's board of directors shall reflect the equity structure of GISB and the MITI shall be informed of any appointment and/or any changes to the board of directors of the company;
- (d) In respect of domestic sales, GISB shall as far as possible utilise the services provided by Malaysians including appointing Malaysian distributors where at least 30% of the company's domestic sales will be distributed by Bumiputera distributors;
- (e) Six (6) months from the issuance date of the manufacturing licence, GISB is required to furnish a report to the MIDA on the progress achieved on the project carried out by the company in the form enclosed in the manufacturing licence; and
- (f) The approval is subject to the provisions of the Industrial Co-ordination Act, 1975 and any breach of the terms would result in the withdrawal of the manufacturing licence.

Gimflow is registered as a contractor for agricultural and breeding equipment with the Ministry of Finance pursuant to Licence No. 100910 Registration No. 357-01002729. The said licence is subject to the following conditions:-

- (a) Gimflow shall ensure that the fields registered under this certification do not contravene other fields which have been registered and approved for other companies which have the same owner or board of directors or key management; and
- (b) The certification will also be suspended or cancelled if Gimflow fails to honour the contracts entered into with the Government.

Gimflow is also registered as a supplier / contractor with the MRB vide Registration No. 4114/2003. The said certification will be suspended or cancelled if:-

- (a) Gimflow or its owner / shareholder / director is involved in any illegal / criminal activity which is an offence and is found guilty by a court in or outside Malaysia;
- (b) Gimflow withdraws before the tender is considered or rejects the offer after it has been made;
- (c) Gimflow fails in performing any contracts entered into with the MRB;
- (d) Gimflow amends the approval letter with the intention to deceive or for any other purposes; or
- (e) Gimflow is found conspiring on the prices with other companies for the purpose of tendering to the MRB.

The Group is also required to comply with the relevant laws and regulations imposed by the Department of Environment vide its letter dated 13 August 1997 in accordance with the Environmental Quality Act, 1974.

The Board has confirmed that the Group has complied with the above-mentioned conditions.

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