SYNERGY DRIVE

SYNERGY DRIVE BHD

(Company No. 752404-U)
19th Floor, Wisma Sime Darby, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia
Telephone (603) 2691 4122 Facsimile (603) 2382 1075
Website www.synergydrive.com.my

SYNERGY DRIVE BHD (Company No. 752404-U)

PROSPECTUS

SYNERGY DRIVE

SYNERGY DRIVE BHD

(Company No. 752404-U)
(Incorporated in Malaysia under the Companies Act, 1965)

ISSUANCE OF UP TO 6,024,388,983 ORDINARY SHARES OF RM0.50 EACH IN CONJUNCTION WITH OUR LISTING ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD

Adviser

CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE “RISK FACTORS” IN SECTION 5 THIS PROSPECTUS.

This Prospectus is dated 27 October 2007

P R O S P E C T U S

Our Directors have seen and approved this Prospectus and except in relation to information provided by the Participating Companies, they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. They confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Prospectus false or misleading. Information on the Participating Companies were provided by the respective Boards and management of the Participating Companies. The said Boards have given their respective written consents and have not subsequently withdrawn their respective written consents to include the respective information in this Prospectus in the form and context in which they appear. The responsibility of our Directors is therefore restricted to ensuring that such information is accurately reproduced in this Prospectus.

CIMB Investment Bank Berhad ("**CIMB**"), being the Adviser to our Issuance, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Issuance.

The Securities Commission ("**SC**") has approved our Issuance. However, this is not an indication that the SC recommends the Issuance. The SC shall not be liable for any non-disclosure in this Prospectus by us. The SC takes no responsibility for the contents of this Prospectus and does not represent that it is accurate or complete. The SC shall not be liable for any loss that you may suffer as a result of your reliance on the whole or any part of the contents of this Prospectus. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE ISSUANCE AND THE INVESTMENT IN US. IF YOU ARE IN DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has also granted its approval-in-principle for the listing of our Shares on the Main Board of Bursa Securities. You should not take our admission to the Official List of Bursa Securities as an indication of our merits, the merits of our Shares or the Issuance.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Election Notice (containing the Election Form), has also been lodged with the Registrar of Companies who takes no responsibility for the contents of this Prospectus and the accompanying Election Notice.

The Shariah Advisory Council of the SC ("**SAC**") has classified our Shares as Shariah-compliant based on the audited financial statements of the GHope Group and Sime Darby Group for the financial year ended 30 June 2006 and the KGB Group for the financial year ended 31 December 2006 and on the Shariah criteria adopted by the SAC. This classification remains valid from the date of this Prospectus until the next Shariah compliance review is undertaken by the SAC and the new status is released in the updated list of Shariah-compliant securities, on the last Friday of either May or November of each year.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act, 2007 ("**CMSA**").

Securities listed on Bursa Securities are issued to the shareholders of the Participating Companies premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA are responsible.

The distribution of this Prospectus and the Issuance are subject to Malaysian laws. We and our advisers are not responsible for the distribution of this Prospectus outside Malaysia. We and our advisers have not taken any action to permit an offering of our Shares based on this Prospectus or the distribution of this Prospectus outside of Malaysia. This Prospectus may not be used for an offer to sell or invitation to buy our Shares or the Issuance in any jurisdiction or in any circumstance in which such an offer to sell or invitation to buy our Shares or the Issuance is not authorised or unlawful. This Prospectus shall also not be used to make an offer to sell or invitation to buy our Shares or the Issuance to any person to whom it is unlawful to do so. We and our advisers require you to inform yourself of and to observe such restrictions.

This Prospectus is prepared and published solely for the Issuance in Malaysia under the laws of Malaysia. The Shares are issued in Malaysia solely based on the contents of this Prospectus. We and our advisers have not authorised anyone to provide you with information that is not contained in this Prospectus.

All terms used are defined under "Presentation of Financial and Other Information" and "Definitions" commencing on pages (vii) and (x) respectively.

PROSPEKTUS INI JUGA TERSEDIA DALAM VERSI BAHASA MALAYSIA.

Anda boleh memperolehi Prospektus versi Bahasa Malaysia dari Epsilon Registration Services Sdn Bhd, G-01 Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur.

NOTICE TO SHAREHOLDERS AND INDICATIVE TIMETABLE

Dear Entitled Shareholders,

On 27 November 2006, our Company made offers to each of the Participating Companies with the aim of merging the GHope Group, KGB Group and Sime Darby Group.

As at 1 October 2007, our Company and each of the Participating Companies have obtained all the requisite approvals to effect the Merger as well as the Capital Repayment to you. The Sale of Business Agreements have become unconditional on 1 October 2007 and the Merger and Capital Repayment are pending completion, which will take place after the end of the Election Offer Period.

As a result of the Capital Repayment, you have the option to receive cash or our Shares in relation to your shareholding in the Participating Companies. This Prospectus has been issued for the issuance of Shares in our Company. We set out below the number of our Shares or cash that you can receive based on each Participating Company share that you hold:

Participating Company	Cash receivable for each Participating Company share RM	No. of our Shares receivable for each Participating Company share(1)
GHope	5.46	1.04
GRopel	4.46	0.85
HLB	5.09	0.97
KGB	4.27	0.81
Mentakab	1.96	0.37
Sime Darby	6.46	1.23
Sime Engineering	1.57	0.30
Sime UEP	3.95	0.75

Note:

(1) Approximated ratio based on the offer price per Participating Company share as set out in each of the Simultaneous Offers, divided by the issue price of our Shares of RM5.25 each.

As an Entitled Shareholder, you will receive an Election Notice (containing the Election Form) together with this Prospectus. The Election Form (as contained in the Election Notice) will specify the number of shares that you hold in a Participating Company and the corresponding number of our Shares that you can elect to receive at the respective share conversion ratio based on the number of shares that you hold in the Participating Companies in the CDS account to which the Election Notice relates as at the Entitlement Date. The Election Form is for you to elect to receive our Shares arising from your shareholding in a particular Participating Company.

If you decide **to participate** in the future of our Group, you can choose to receive our Shares by completing the Election Form that is enclosed with this Prospectus. You do not need to make any additional cash payment to our Company if you wish to receive our Shares.

If you decide **not to participate** in the future of our Group and decide to receive cash for your shares in the Participating Companies, you do not need to take any action. If we do not receive your Election Form at the end of the Election Offer Period, we will pay you cash for your shares in the Participating Companies.

You should read this Prospectus in its entirety before making your decision.

Prior to our Listing, we will change our name to a new name to be announced upon receiving all the requisite approvals. **As we will be assuming the listing status of Sime Darby, the stock code for our Company will be 4197.** The new name, along with our stock short name, will be advertised in at least 1 widely circulated Bahasa Malaysia and English daily newspaper in Malaysia.

We set out below the indicative timing of events leading to our Listing as follows:

Event	Tentative date
Opening of the Election Offer Period	27 October 2007
Closing of the Election Offer Period.	16 November 2007
Last date to despatch cheques/notices of allotment for our Shares	29 November 2007
Listing of our Shares	30 November 2007

Note:

The timing of the above events is tentative and is subject to necessary changes to facilitate the implementation procedures. Our Directors may decide, at their absolute discretion, to extend the closing time and date for the Election Offer Period to any later time and date. We will announce any extension of the closing time and date for the Election Offer Period in at least 1 widely circulated Bahasa Malaysia and English daily newspaper in Malaysia. If the closing date for the Election Offer Period is extended, the dates for the allotment of our Shares and/or payment of cash to you and for our Listing will be extended accordingly.

All terms used are defined under "Presentation of Financial and Other Information" and under "Definitions" commencing on pages (vii) and (x) respectively.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" and "Synergy Drive" in this Prospectus are to Synergy Drive Bhd (Company No. 752404-U). References to "our Group" are to our Company and our consolidated subsidiaries upon completion of the Merger and references to "we", "us", "our" and "ourselves" are to our Company and, save where the context otherwise requires, our consolidated subsidiaries upon completion of the Merger. All references to "our Shares" are to ordinary shares of RM0.50 each in our Company. Unless the context otherwise requires, references to "Management" are to our Group Chief Executive designate and key management designates as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management unless otherwise indicated. All references to "you" are to the Entitled Shareholders.

All references to shares or treasury shares in respect of the Participating Companies are to the ordinary shares/stocks or treasury shares/treasury stocks of the Participating Companies. All references to shareholders in respect of the Participating Companies are to the shareholders/stockholders of the Participating Companies.

As at 1 October 2007, the Sale of Business Agreements have become unconditional and the Merger and Capital Repayment are pending completion. The completion of the Merger will take place after the Election Offer Period, but before our Listing. With the completion of the Merger, we will own the businesses of the Participating Companies. Given the eventuality of the Merger, the discussions and analysis of our businesses in this Prospectus assume the completion of the Merger. Therefore, references to "our subsidiaries" and "our associated companies" are to our consolidated subsidiaries and associated companies respectively upon completion of the Merger.

All references to the "Government" are to the Government of Malaysia and references to "Ringgit", "Malaysian Ringgit", "RM" and "sen" are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations.

We have included a discussion of our proforma consolidated financial results in Sections 9.1 and 9.2 of this Prospectus. These sections set out the discussion of our proforma consolidated financial results for each of the 3 financial years ended 30 June 2005, 2006 and 2007. As our Group will only be formed after the Election Offer Period, the proforma consolidated financial results for the 3 financial years ended 30 June 2005, 2006 and 2007 have been prepared for illustrative purposes only to facilitate our discussion and analysis of our financial condition and results included in this Prospectus.

The disclosures on the shareholdings of PNB and PNB Unit Trust Funds are based on the declarations provided by PNB and Amanah Raya Berhad, being the trustee for the PNB Unit Trust Funds, of PNB's and PNB Unit Trust Funds' shareholdings in the Participating Companies as at 31 July 2007 in the letters dated 24 August 2007 undertaking to elect for our Shares for their shares in the Participating Companies.

All references to dates and times are references to dates and times in Malaysia.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which our core businesses operate. When such data is taken or derived from information published by industry sources, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by Ministry of Finance, BNM, MPOB, JPPH and Frost & Sullivan. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industries in which our core businesses operate. However, neither we nor our advisers have verified this data. We and our advisers do not make any representation as to the correctness, accuracy or completeness of such data. You should not place undue reliance on the statistical data cited in this Prospectus.

Further, certain background information on substantial shareholders contained in this Prospectus was obtained from publicly available sources, which neither we nor our advisers have verified.

The information on our website or the websites of any of the Participating Companies or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes 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, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology 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 include, without limitation, statements relating to:

(i) demand for our products;

(ii) our business strategies;

(iii) plans and objectives of our Management for future operations;

(iv) our financial position; and

(v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(i) the economic, political and investment environment in Malaysia and globally; and

(ii) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" in Section 5 and "Business" in Section 7 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	Companies Act, 1965, as amended from time to time and any re-enactment thereof
Assets	All the assets of the relevant Participating Company comprising all cash and short-term funds, deposits and placements with financial institutions, investment securities being money market instruments, quoted and unquoted securities including government, corporate and other bonds and shares including all shares of its subsidiaries and associated companies, loans and advances, any accrued interest on the abovesaid assets that has not yet been received as at the completion date of the relevant Business Acquisition and, in relation to deposit accounts, interest that has accrued but remains unposted as at the said completion date, outstanding purchase contracts, other assets by way of debtors, all fixed assets including lands (if any) and those other fixed assets including assets utilised for the operation, administration or management of the relevant Participating Company Business by way of office furniture, fittings, equipment and renovations, data processing equipment, electrical and security equipment, motor vehicles, buildings-in-progress, including all intellectual property rights, if any, of the relevant Participating Company in Malaysia and other countries, including, without limitation, the rights to computer software owned by the relevant Participating Company and used in or for the purposes of the relevant Participating Company Business and all records so owned and used and any other assets not specifically set out above, including any claims, demands, judgments, awards or legal proceedings by or obtained by the relevant Participating Company against any person, body or corporation in Malaysia or any other country
BCHB	Bumiputra-Commerce Holdings Berhad (50841-W)
BNM	Bank Negara Malaysia
Board	Board of Directors
Bursa Depository	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
Bursa Securities LR	Listing Requirements of Bursa Securities
Business Acquisition	Acquisition of the entire businesses and undertakings including the Assets and Liabilities of each Participating Company by our Company at the Consideration, which will be satisfied by the issuance of RCPS A or such consideration as may be derived from the RCPS A, which became unconditional on 1 October 2007

Business Disposal	Disposal of the entire businesses and undertakings including the Assets and Liabilities by each Participating Company to our Company at the Consideration, which will be satisfied by the issuance of RCPS A or such consideration as may be derived from the RCPS A, which became unconditional on 1 October 2007
Capital Repayment	Capital repayment to be carried out by each Participating Company to return all the RCPS A (or such consideration as may be derived from the RCPS A) received or receivable from our Company representing the Consideration to their respective shareholders, including an increase in authorised share capital, bonus issue and capital reduction which will be carried out by each Participating Company to facilitate the capital repayment
CDS	Central Depository System
CIMB	CIMB Investment Bank Berhad (18417-M)
CIMB Group	CIMB Group Sdn Bhd (706803-D)
CIMB PE	CIMB Private Equity Sdn Bhd (648424-H)
CKD	Complete Knocked Down
CMSA	Capital Markets and Services Act, 2007
Code	Malaysian Code on Take-Overs and Mergers, 1998
Consideration	Each Participating Company's consideration with respect to the Business Disposal, being the price per Participating Company share offered by our Company on 27 November 2006 multiplied by the total outstanding ordinary shares of the Participating Company (less treasury shares, if any) as at the completion of the Business Disposal to be satisfied by the issuance of the requisite number of RCPS A, or such consideration as may be derived from the RCPS A
Court	High Court of Malaya
CPKO	Crude palm kernel oil
CPO	Crude palm oil
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EFB	Empty fruit bunches
EGM	Extraordinary General Meeting

Election Form	Prescribed form to be completed and submitted by the Entitled Shareholders to our Company within the Election Offer Period, in the event that the said shareholders elect to receive our Shares
Election Notice	Notice containing the Election Form accompanying this Prospectus
Election Offer Period	Period from the date of this Prospectus to 16 November 2007, as may be extended by our Directors in their absolute discretion
Entitled Shareholders	Shareholders of the Participating Companies whose names appear on the ROD or ROM of the Participating Companies as at the Entitlement Date
Entitlement Date	24 October 2007
EPF	Employees' Provident Fund Board
EPS	Earnings per share/stock
ESOS	Employees' share or share option scheme
FELDA	Federal Land Development Authority
FFB	Fresh fruit bunches
FIC	Foreign Investment Committee
FIC Guidelines	Guidelines on the Acquisition of Interests, Mergers And Take-overs By Local And Foreign Interests issued by the FIC as amended or expanded from time to time
Frost & Sullivan	Frost & Sullivan (M) Sdn Bhd (522293-W)
GCE	Guthrie Corridor Expressway
GDP	Gross domestic product
GDV	Gross development value
GHope	Golden Hope Plantations Berhad (29992-U)
GHope Group	GHope and its subsidiaries, collectively
GHope Shares	Ordinary shares of RM1.00 each in GHope
GPDH	Guthrie Property Development Holding Bhd (15631-P)
GRopel	Guthrie Ropel Berhad (6710-T)
Ha	Hectare
HLB	Highlands & Lowlands Berhad (24817-H)
HR	Human resource

Issuance	Issuance by our Company of our Shares to Entitled Shareholders who elect to receive our Shares for their shares in the Participating Companies, following the Capital Repayment
IT	Information technology
JPPH	Jabatan Penilaian dan Perkhidmatan Harta (or the Valuation and Property Services Department)
KER	Kernel extraction rate
KGB	Kumpulan Guthrie Berhad (4001-P)
KGB Group	KGB and its subsidiaries, collectively
KGB Shares	Ordinary shares of RM1.00 each in KGB
Khazanah	Khazanah Nasional Berhad (275505-K)
Liabilities	All debts and liabilities of the relevant Participating Company (whether in Malaysia or other countries), including, but not limited to subordinated obligations, outstanding sales contracts, any tax, present, future or contingent (including clawbacks) payable, off balance sheet items which have not crystallised or which may, in future, give rise to an indebtedness and other liabilities (present, future or contingent) not specifically set out above, including any claims, demands, rights of set-off or legal proceedings by any person against the relevant Participating Company in Malaysia or any other country, any amounts due to trade or other creditors and accrued charges relating thereto provided always such liabilities arise from the relevant Participating Company Business or in connection with the sale of the relevant Participating Company Business
Listing	Listing of and quotation for our entire issued and paid-up share capital on the Main Board of Bursa Securities
LPD	31 August 2007, being the latest practicable date prior to the registration of this Prospectus
Market Day	Day on which Bursa Securities is open for trading
Mentakab	Mentakab Rubber Company (Malaya) Berhad (3325-W)
Merger	Merger of all the Participating Companies pursuant to their respective Sale of Business Agreements
MI	Minority interest
MIC	Merger Integration Committee
MITI	Ministry of International Trade and Industry
MOF	The Minister of Finance
MPOB	Malaysian Palm Oil Board

MT	Metric tonnes
MW	Megawatt
Negara	Negara Properties (M) Berhad (3432-P)
Negara MGO	Mandatory take-over offer undertaken by our Company upon the Sale of Business Agreement with GHope becoming unconditional, for all the Negara Shares not held by GHope pursuant to the provisions of the Code at the offer price of RM2.29 per Negara Share, the notice of which was issued under the Code on 1 October 2007
Negara Shares	Ordinary shares of RM1.00 each in Negara
NTA	Net tangible assets
OER	Oil extraction rate
Participating Company	Any of the following companies: GHope, GRopel, HLB, KGB, Mentakab, Sime Darby, Sime Engineering, and Sime UEP, and "**Participating Companies**" shall refer to one or more of the aforesaid companies, or where the context requires, all the aforesaid companies collectively
Participating Company Business	Entire business and undertaking of the relevant Participating Company as at 27 November 2006, as carried on in Malaysia and elsewhere by the relevant Participating Company and shall include the Assets and the Liabilities and any business incidental thereto
PAT	Profit after taxation
PATAMI	Profit after taxation and minority interests
PBT	Profit before taxation
PE Multiple	Price earnings multiple
PK	Palm kernel
PKO	Palm kernel oil
PNB	Permodalan Nasional Berhad (38218-X)
PNB Unit Trust Funds	Unit trust funds managed by PNB and companies related to PNB
PVC	Polyvinyl chloride
RCPS A	Series A redeemable convertible preference shares in our Company having terms set out in Section 11.1(ii)
RCPS B	Series B redeemable convertible preference shares in our Company, which have all been converted on 1 October 2007

Registrar	Special registrar for the Issuance and Capital Repayment, namely Epsilon Registration Services Sdn Bhd (629261-T)
ROD	Record of Depositors
ROM	Register of Members
RPGT	Real property gains tax
R&D	Research and development
SAC	Shariah Advisory Council of the SC
Sale of Business Agreement	Sale of business agreement entered into between our Company and each of the Participating Companies on 24 January 2007 pursuant to the acceptance of their respective Simultaneous Offers and "**Sale of Business Agreements**" shall mean the Sale of Business Agreements with all the Participating Companies collectively
SASB	Skim Amanah Saham Bumiputera
SC	Securities Commission
Share Issue by Participating Companies	Issuance by each Participating Company of 2 new ordinary shares or such number of new ordinary shares of each Participating Company to us after the Capital Repayment at par value in order for us to maintain not less than 90% shareholding in the Participating Company
SICDA	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
Sime Darby	Sime Darby Berhad (41759-M)
Sime Darby Group	Sime Darby and its subsidiaries, collectively
Sime Darby Shares	Ordinary shares of RM0.50 each in Sime Darby
Sime Engineering	Sime Engineering Services Berhad (582750-H)
Sime UEP	Sime UEP Properties Berhad (5835-W)
Simultaneous Offers	Simultaneous offers to the Participating Companies by our Company on 27 November 2006 to acquire the Participating Company Business at the Consideration
Synergy Drive	Synergy Drive Bhd (752404-U)
Synergy Drive Shares	Ordinary shares of RM0.50 each in our Company
Tier 1 Participating Company	Any of the following companies: GHope, KGB and Sime Darby and "**Tier 1 Participating Companies**" shall refer to the aforesaid companies collectively

Tier 2 Participating Company	Any of the following companies: GRopel, HLB, Mentakab, Sime Engineering, and Sime UEP and "**Tier 2 Participating Companies**" shall refer to the aforesaid companies collectively
YPB	Yayasan Pelaburan Bumiputra (37113-P)

CURRENCIES

SGD	Singapore Dollar
USD	United States Dollar

COUNTRIES/REGIONS

China	The People's Republic of China
EU	European Union
Hong Kong	Hong Kong Special Administrative Region
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America

1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Profession	Nationality
Tun Musa bin Hitam *(Independent Non-Executive Chairman)*	12, Selekoh Tunku Bukit Tunku 50480 Kuala Lumpur	Company Director	Malaysian
Tan Sri Dato' Seri (Dr.) Ahmad Sarji bin Abdul Hamid *(Non-Independent Non-Executive Deputy Chairman)*	58, Jalan Setiabakti 8 Bukit Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Dr. Arifin Mohamad Siregar *(Independent Non-Executive Director)*	Jl. Pejaten Barat II 5, Jakarta Selatan 12510 Indonesia	Company Director	Indonesian
Tan Sri Dato' Dr. Wan Mohd. Zahid bin Mohd. Noordin *(Non-Independent Non-Executive Director)*	3, Jalan SS1/25 Kampong Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali *(Independent Non-Executive Director)*	11, Jalan 1/9C 43650 Bandar Baru Bangi Selangor Darul Ehsan	Company Director	Malaysian
Datuk Seri Panglima Sheng Len Tao *(Independent Non-Executive Director)*	1, Taman Jesselton 10450 Pulau Pinang	Company Director	Malaysian
Raja Datuk Arshad bin Raja Tun Uda *(Independent Non-Executive Director)*	'payong' 16, Jalan 12 Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian
Dato' Henry Sackville Barlow *(Independent Non-Executive Director)*	7, Persiaran Titiwangsa 2 53200 Kuala Lumpur	Company Director	British
Dato' Mohamed bin Sulaiman *(Non-Independent Non-Executive Director)*	15, Jalan Penaga Bukit Bandaraya 59100 Kuala Lumpur	Company Director	Malaysian
Dato' Dr. Abdul Halim bin Ismail *(Non-Independent Non-Executive Director)*	56, Jalan Beruas Damansara Heights 50490 Kuala Lumpur	Company Director	Malaysian
Datin Paduka Zaitoon Dato' Othman *(Non-Independent Non-Executive Director)*	10-6-2, Desa Damansara 99, Jalan Setiakasih Damansara Heights 50490 Kuala Lumpur	Company Director	Malaysian

1. CORPORATE DIRECTORY *(cont'd)*

Name	Address	Profession	Nationality
Dato' Seri Ahmad Zubair @ Ahmad Zubir bin Haji Murshid *(Non-Independent Non-Executive Director *)*	65, Jalan PJU 1A/36 Ara Damansara 47301 Petaling Jaya Selangor Darul Ehsan	Company Director/ Group Chief Executive	Malaysian

** Dato' Seri Ahmad Zubair @ Ahmad Zubir bin Haji Murshid is our Group Chief Executive designate.*

AUDIT COMMITTEE

Name	Designation	Directorship
Raja Datuk Arshad bin Raja Tun Uda	Chairman	Independent Non-Executive Director
Tan Sri Datuk Dr. Ahmad Tajuddin bin Ali	Member	Independent Non-Executive Director
Datuk Seri Panglima Sheng Len Tao	Member	Independent Non-Executive Director
Dato' Henry Sackville Barlow	Member	Independent Non-Executive Director
Dato' Mohamed bin Sulaiman	Member	Non-Independent Non-Executive Director

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1. CORPORATE DIRECTORY *(cont'd)*

COMPANY SECRETARY	:	Norzilah Megawati binti Abdul Rahman (LS No. LS0009247) LR1-1-4, Riana Green Condominium Jalan Tropicana Utara 47410 Petaling Jaya Selangor Darul Ehsan Malaysia Telephone no.: 603 - 2691 4122
REGISTERED OFFICE	:	19th Floor, Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur Malaysia Telephone no.: 603 - 2691 4122 Fax no.: 603 - 2382 1075
HEAD/MANAGEMENT OFFICE	:	21st Floor, Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur Malaysia Telephone no.: 603 - 2691 4122 Fax no.: 603 - 2698 7398 Website: http://www.synergydrive.com.my
REPORTING ACCOUNTANTS AND AUDITORS OF THE COMPANY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007	:	Ernst & Young (AF: 0039) Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Telephone no.: 603 - 7495 8000
AUDITORS OF THE COMPANY	:	PricewaterhouseCoopers (AF: 1146) Level 10, 1 Sentral, Jalan Travers Kuala Lumpur Sentral P O Box 10192 50706 Kuala Lumpur Malaysia Telephone no.: 603 – 2173 1188
SOLICITORS FOR THE ISSUANCE	:	Kadir, Andri & Partners 8th Floor, Menara Safuan 80, Jalan Ampang 50450 Kuala Lumpur Malaysia Telephone no.: 603 - 2078 2888

1. CORPORATE DIRECTORY *(cont'd)*

PRINCIPAL BANKER	:	CIMB Bank Berhad Level 1, Lot A4 Block A, Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Malaysia Telephone no.: 603 - 2095 8866
REGISTRAR	:	Epsilon Registration Services Sdn Bhd G-01 Ground Floor, Plaza Permata Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur Malaysia Telephone no.: 603 - 4047 3999 Fax no.: 603 - 4042 6352
ADVISER	:	CIMB Investment Bank Berhad 5th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Telephone no.: 603 - 2084 8888
LISTING SOUGHT	:	Main Board of Bursa Securities
SHARIAH STATUS	:	Approved by the SAC

2. INTRODUCTION

This Prospectus is dated 27 October 2007.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Election Notice (containing the Election Form) with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for the contents of this Prospectus and the accompanying Election Notice.

The SAC has via its letter dated 28 September 2007 classified our Shares as Shariah-compliant based on the audited financial statements of the GHope Group and Sime Darby Group for the financial year ended 30 June 2006 and of the KGB Group for the financial year ended 31 December 2006 and on the Shariah criteria adopted by the SAC. This classification remains valid from the date of this Prospectus until the next Shariah compliance review is undertaken by the SAC and the new status is released in the updated list of Shariah-compliant securities, on the last Friday of either May or November of each year.

On 11 September 2007, we obtained the approval-in-principle from Bursa Securities for the admission of our Company to the Official List of Bursa Securities and the Listing. Immediately after the Issuance, we will apply to Bursa Securities for the quotation of our Shares on the Main Board of Bursa Securities.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Therefore, we will deposit our Shares directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance to the SICDA, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository.

Pursuant to Bursa Securities LR, at least 25% of our issued and paid-up share capital for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. If we do not meet the public shareholding spread requirements, we may not be allowed to proceed with the Listing. However, based on the existing market conditions and shareholding spread of each of the Participating Companies existing as at the LPD, our Board anticipates that the level of election for our Shares by the Entitled Shareholders will be such that we can meet the public spread requirements under the Bursa Securities LR.

You should only rely on the information contained in this Prospectus in deciding whether to elect to receive our Shares. We or our advisers have not authorised anyone to provide you with information that is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or imply that there has been no change in our affairs since the date of this Prospectus.

This Prospectus does not constitute and may not be used for an offer to sell or invitation to buy our Shares or the Issuance in any jurisdiction and in any circumstance in which such an offer to sell or invitation to buy our Shares or the Issuance is not authorised or unlawful. This Prospectus shall not be used for an offer to sell or invitation to buy our Shares or the Issuance to any person to whom it is unlawful to do so.

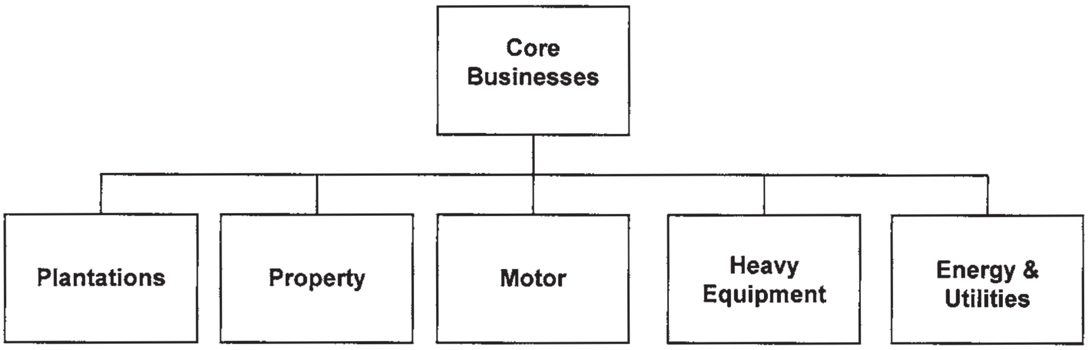
You should rely on your own evaluation to assess the merits and risks of the Issuance and an investment in us. In considering the investment, if you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3. INFORMATION SUMMARY

This section is a summary of salient information about us and the Issuance and is extracted from the full text of this Prospectus. You should read and understand this section together with the whole Prospectus before you decide whether to elect to receive our Shares.

3.1 Overview

Our Company was set up as a special purpose company to facilitate the merger of the GHope Group, KGB Group and Sime Darby Group. With the completion of the Merger, the GHope Group, KGB Group and Sime Darby Group will be merged under our Company and our Group will comprise the businesses of all the Participating Companies. Accordingly we will have 5 core businesses, namely, plantations, property, motor, heavy equipment, and energy and utilities.



With the completion of the Merger, our Group will be the world's largest listed oil palm plantations group by planted land area, with a significant presence in both upstream and downstream palm oil activities. We will be one of the global leaders in palm oil origination i.e. plantation and palm oil extraction, which is presently the most profitable part of the palm oil value chain.

The Merger also provides an opportunity for us to be Malaysia's leading developer of quality residential and commercial communities.

See Section 7 for further information on our businesses.

3.2 Competitive Strengths

We believe that our principal strengths as a Group are as follows:

(i) Scale-driven revenue and cost synergies for plantations

The scale of our enlarged palm oil business will allow us to achieve better cost and revenue efficiencies. Most of our Group's oil palm plantations are adjacent or close to each other. The consolidation of such estates will generate revenue and cost synergies through lower overheads, mill optimisation (where FFB can be routed to the nearest mill and surplus mills can process FFB from third parties) and the sharing of best estate management practices and R&D findings to further raise FFB yields. There will be savings from the elimination of duplicate R&D projects. The sheer size of our Group's planted area will also enable us to implement cost-centric procurement and planting policies, thereby achieving economies of scale.

(ii) Focused set of core businesses within Asia Pacific

Our Group's core businesses are focused in Asia Pacific and are therefore poised to benefit from population growth and economic development throughout the Asia Pacific region. Both economic (measured as growth in GDP per capita) and population growth in the Asia Pacific region have outpaced that of Europe and North America in recent years and this trend is expected to continue within the next year.

Plantations: Our Group will be one of the global leaders in palm oil origination with selective downstream participation. Demand for palm oil has primarily been driven by consumer consumption of edible oils which will continue to be sustained by population growth throughout Asia Pacific. In line with growing biofuel use in developed markets like Europe and given the commitment of various countries to the Kyoto Protocol, Asian governments are looking at biofuel-friendly policies and this is anticipated to create another source of demand in the longer term.

Property: Property has a symbiotic relationship with plantations as there is opportunity for the migration of prime land currently utilised as plantations to property development. Property prices in Kuala Lumpur are currently lower than those in other key Asian countries such as Singapore, Hong Kong and Japan whilst rental yields are higher, which implies that there can be further room for price appreciation.

Heavy Equipment: Our Group will have exclusive Caterpillar dealer rights in several countries and territories across the Asia Pacific region. Heavy equipment dealers are expected to benefit from continued demand in the construction, mining, timber and oil and gas industries on the back of economic development throughout the region, particularly in China.

Motor: Our Group will have BMW dealerships in various countries and territories in the Asia Pacific region, and distributorship and dealership rights for other renowned marques, such as Hyundai, Land Rover and Ford. Rising prosperity and a growing upper middle class are expected to sustain demand for automobiles, in particular, luxury marques.

Energy and Utilities: Our Group will be a major oil and gas platform fabricator in Malaysia and will be also involved in power generation. The current high oil and gas prices are driven by rapid regional economic development, particularly in China, which has consequently increased oil exploration, development and production activities. This will have a positive impact on the fabrication business. Demand for power generation will also increase in tandem with economic activity. Our Group will have investments in port and water projects in China. An increase in business volume and the opening up of new industrial areas adjacent to our investments in China will increase port utilisation and water consumption.

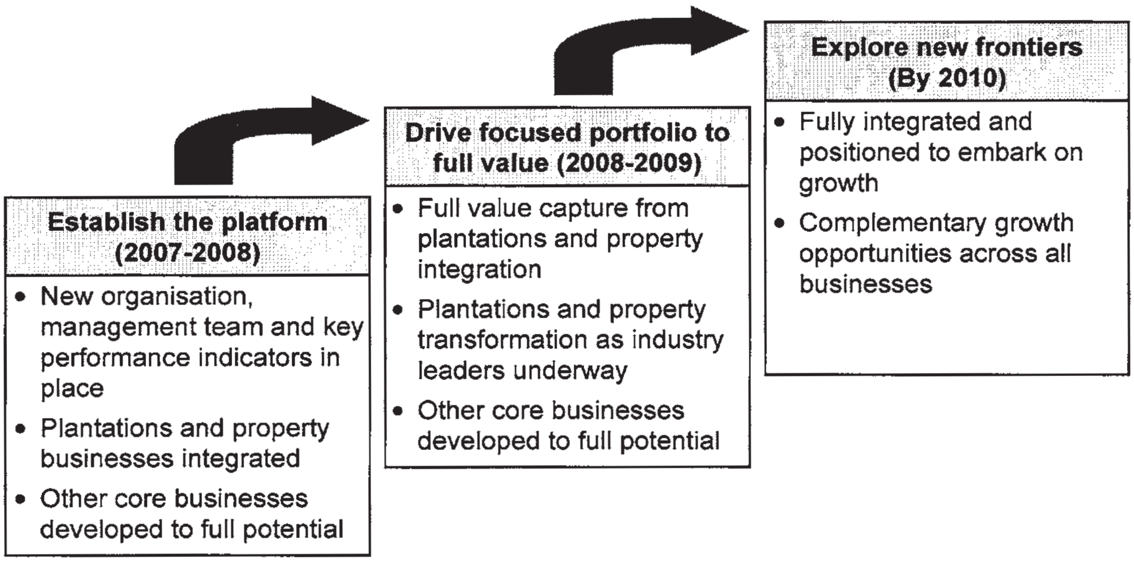
(iii) Experienced management team

We will have an experienced management team with a track record of successfully managing and expanding a set of diverse businesses throughout Asia Pacific. Our Group believes that the ability of our management team to adapt to various cultures and operating environments is key to our future success.

See Section 7.4 for further information on our competitive strengths.

3.3 Strategies and Prospects

Upon completion of the Merger, we plan to embark on a 3-phased road map over the near to medium term as set out below:



In terms of each of our core businesses, we intend to adopt the following strategies:

(i) Plantations business

(a) Increasing the proportion of upstream activities which are involved in low-cost origination in selective regions;

(b) Enhancing yield per hectare of palm products;

(c) Migrating high cost land to alternative uses by capitalising on the symbiotic relationship between the plantations and property development businesses; and

(d) Creating opportunities for non-asset intensive growth through integrated plantations services and originating palm oil from third parties.

(ii) Property business

(a) Proactively managing land banks to enhance portfolio quality and increase asset turnover;

(b) Strengthening brand value and building a reputation for customer-centric product innovation and quality to command premium pricing; and

(c) Achieving best-in-class cost management through leading edge operational practices and execution excellence.

(iii) Other core businesses

(a) Motor: Continuing to build on our existing extensive network and to expand our representation of the luxury marques that we currently represent;

(b) Heavy Equipment: Continuing to pursue growth by capitalising on the continuing demand for infrastructure, mining, timber, and oil and gas industries across the Asia Pacific region; and

(c) Energy and Utilities: Continuing to pursue growth strategies to take advantage of the strong demand for oil and gas, energy and utilities in tandem with the economic growth in the Asia Pacific region. Sime Darby has expressed its intention to the Government to take up a key interest in Sarawak Hidro Sdn Bhd, the owner of the Bakun Hydroelectric Project, and to take a lead role in a consortium for the proposed undersea cable project. However, no official approval has been received from the Government to date.

By integrating and streamlining the businesses of the Participating Companies, we expect to harness cost and revenue synergies as follows:

PLANTATIONS	PROPERTY DEVELOPMENT	CORPORATE SERVICES
Cost Synergies	**Cost Synergies**	**Cost Synergies**
• Optimising mill routing and capacity utilisation • Fertiliser optimisation	• Price optimisation from contractors and consultants • Achieving "best practice" contractor prices	• Consolidation and optimisation of corporate services such as IT, HR, finance and other corporate functions
Revenue Synergies	**Revenue Synergies**	
• Best practices in estate management • Best practices in mill management	• Optimising pricing with better market pricing information	

FULL EBIT IMPROVEMENT OF

RM400 MILLION – RM500 MILLION PER ANNUM

BEGINNING 1 JULY 2009

See Section 7.3 for further information on the revenue and cost synergies, and related integration costs, as well as the assumptions made to arrive at the above expected synergies.

3.4 Financial Highlights

3.4.1 Proforma consolidated income statements

We have prepared our Group's proforma consolidated results for illustrative purposes only, for each of the past 3 financial years ended 30 June 2005, 2006 and 2007, after making adjustments that were considered necessary based on the results of the Participating Companies and on the assumptions that our Group has been in existence throughout the financial years and that all Entitled Shareholders elect to receive our Shares and the consideration for the Negara MGO is satisfied entirely by our Shares.

You should read the financial information that we have presented below together with the notes, assumptions and basis of preparation included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 9.5.

	<----------Financial year ended 30 June--------->		
	2005	**2006**	**2007**
	RM million	**RM million**	**RM million**
Revenue	24,230.3	26,086.1	28,220.4
Operating profit	2,688.4	2,673.4	3,771.1
EBITDA	3,207.1	3,224.0	4,281.6
Amortisation	(91.9)	(88.8)	(92.8)
Depreciation	(563.8)	(599.4)	(634.2)
Share of results of jointly controlled entities	(74.4)	1.5	1.7
Share of results of associates	66.8	87.0	110.7
Investment and interest income	137.0	137.6	216.5
Finance costs	(248.8)	(300.1)	(312.4)
PBT	2,432.0	2,461.8	3,571.1
Taxation	(695.1)	(689.6)	(889.3)
PAT	1,736.9	1,772.2	2,681.8
(Loss)/Profit from discontinued operations	(8.8)	8.0	25.0
Profit for the year	1,728.1	1,780.2	2,706.8
Attributable to:			
Equity holders of our Company	1,696.1	1,725.3	2,631.9
Minority interests	32.0	54.9	74.9
	1,728.1	1,780.2	2,706.8
Number of our Shares assumed in issue (million)	6,086.0	6,086.0	6,086.0
Operating profit margin (%)	11.10	10.25	13.36
Net profit margin (attributable to equity holders of our Company) (%)	7.00	6.61	9.33
EPS (RM)	0.28	0.28	0.43

Note:

There were no exceptional and extraordinary items during the years under review. EPS has been computed based on the number of our Shares assumed in issue.

The above is summarised from Proforma III of the Proforma Consolidated Income Statements as set out in Section 9.5.

If all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) and the consideration for the Negara MGO is satisfied entirely by cash, we estimate that borrowings and/or internal sources of funds of up to RM15.2 billion will be required to finance the cash payments. Assuming the cash payments are financed entirely by borrowings and such borrowings bear an interest rate of 5.55% per annum, there will be additional finance costs of approximately RM844.7 million. In such an event, the proforma consolidated results will be as follows:

	<----------Financial year ended 30 June--------->		
	2005	**2006**	**2007**
	RM million	**RM million**	**RM million**
Finance costs	1,093.5	1,144.8	1,157.1
PBT	1,587.3	1,617.1	2,726.4
Taxation	(458.6)	(453.1)	(661.3)
PAT	1,128.7	1,164.0	2,065.1
(Loss)/Profit from discontinued operations	(8.8)	8.0	25.0
Profit for the year	1,119.9	1,172.0	2,090.1
Attributable to:			
Equity holders of our Company	1,087.9	1,117.1	2,015.2
Minority interests	32.0	54.9	74.9
	1,119.9	1,172.0	2,090.1
Number of our Shares assumed in issue (million)	3,187.0	3,187.0	3,187.0
Net profit margin (attributable to equity holders of our Company) (%)	4.49	4.28	7.14
EPS (RM)	0.34	0.35	0.63

Note:

EPS has been computed based on the number of our Shares assumed in issue.

The above is summarised from Proforma III of the Proforma Consolidated Income Statements as set out in Section 9.5.

3.4.2 Proforma consolidated balance sheets

We have prepared a summary of our Group's proforma consolidated balance sheets as at 30 June 2007 for illustrative purposes only, to show the effects of our Listing on the assumption that the Merger has been completed on that date and that all Entitled Shareholders elect to receive our Shares and that the consideration for the Negara MGO is satisfied entirely by our Shares.

You should read the summary of our proforma consolidated balance sheets that we have presented below together with the notes, assumptions and basis of preparation included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 9.5.

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger RM million	After harmonisation of accounting policies RM million	After conversion of RCPS B RM million	After Negara MGO RM million
Non-current assets	17,508.4	15,674.8	15,674.8	15,674.8
Current assets	17,747.3	17,747.3	17,747.3	17,747.3
Current liabilities	(8,992.5)	(8,992.5)	(8,992.5)	(8,992.5)
Net current assets	8,754.8	8,754.8	8,754.8	8,754.8
	26,263.2	24,429.6	24,429.6	24,429.6
Financed by:				
Share capital	3,012.2	3,012.2	3,037.2	3,043.0
Reserves	17,874.0	16,172.4	16,170.5	16,261.8
Shareholders' equity	20,886.2	19,184.6	19,207.7	19,304.8
Minority interests	580.1	574.1	574.1	477.0
Total equity	21,466.3	19,758.7	19,781.8	19,781.8
Long term liabilities	4,796.9	4,670.9	4,647.8	4,647.8
	26,263.2	24,429.6	24,429.6	24,429.6
Number of our Shares assumed in issue (million)	6,024.4	6,024.4	6,074.4	6,086.0
Proforma NTA (RM million)	20,373.2	19,112.8	19,135.9	19,233.0
Proforma NTA per share (RM)	3.38	3.17	3.15	3.16

3. INFORMATION SUMMARY *(cont'd)*

If all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) and the consideration for the Negara MGO is satisfied entirely by cash, we estimate that borrowings and/or internal sources of funds of up to RM15.2 billion will be required to finance the cash payments. Assuming the cash payments are financed entirely by borrowings, the summary of our proforma consolidated balance sheets will be as follows:

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger RM million	After harmonisation of accounting policies RM million	After conversion of RCPS B RM million	After Negara MGO RM million
Non-current assets	17,508.4	15,674.8	15,674.8	15,674.8
Current assets	17,747.3	17,747.3	17,747.3	17,747.3
Current liabilities	(8,992.5)	(8,992.5)	(8,992.5)	(8,992.5)
Net current assets	8,754.8	8,754.8	8,754.8	8,754.8
	26,263.2	24,429.6	24,429.6	24,429.6
Financed by:				
Share capital	1,568.5	1,568.5	1,593.5	1,593.5
Reserves	4,158.7	2,457.1	2,455.2	2,491.7
Shareholders' equity	5,727.2	4,025.6	4,048.7	4,085.2
Minority interests	580.1	574.1	574.1	477.0
Total equity	6,307.3	4,599.7	4,622.8	4,562.2
Long term liabilities	19,955.9	19,829.9	19,806.8	19,867.4
	26,263.2	24,429.6	24,429.6	24,429.6
Number of our Shares assumed in issue (million)	3,137.0	3,137.0	3,187.0	3,187.0
Proforma NTA (RM million)	5,214.2	3,953.8	3,976.9	4,013.4
Proforma NTA per share (RM)	1.66	1.26	1.25	1.26

3.4.3 Dividend policy

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as us having sufficient profits and excess funds, which we do not require to fund our business.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account, amongst others, the following factors:

(i) our level of cash, cashflows, gearing, return on equity and retained earnings;

(ii) our expected and actual results of operations; and

(iii) our projected level of capital expenditure and other investment plans.

See Section 9.12 for further information on our dividend policy.

3.4.4 Our share capital

As at 1 October 2007, the authorised share capital of our Company is RM4,072,500,000 consisting of 8,000,000,000 ordinary shares of RM0.50 each, 7,000,000,000 RCPS A of RM0.01 each, and 25,000,000 RCPS B of RM0.10 each. We have only 1 class of shares in issue. Our issued and paid-up share capital is RM25,000,100 comprising 50,000,200 ordinary shares of RM0.50 each. Details of our Shares and RCPS A are set out in Section 11.1.

If all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies under the Issuance and the consideration for the Negara MGO is satisfied entirely by our Shares, our ordinary share capital will increase to a maximum of RM3,043.0 million comprising 6,086.0 million ordinary shares as follows:

	No. of our Shares million
Issued and paid-up share capital as at 1 October 2007	50.0
To be issued under the Issuance	6,024.4
To be issued under the Negara MGO	11.6
Enlarged issued and paid-up share capital	6,086.0

Our new Shares to be issued under the Issuance will, upon allotment and issue, rank equal in all respects with our existing issued and fully paid-up Shares, except that the holders of our new Shares will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is before the date of allotment of our new Shares.

Based on the last traded prices of the shares of the Participating Companies before the suspension of the trading of the said shares on 18 October 2007, our proforma market capitalisation is RM53.8 billion. On the basis that all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies, up to 6,024.4 million shares will be issued, which translates to a theoretical market price of RM8.93 for each of our Shares.

Based on the above theoretical price and our share capital as at 1 October 2007 and the assumption that all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies and that the consideration for the Negara MGO is satisfied entirely by our Shares, our total enlarged proforma market capitalisation is estimated to be RM54.3 billion.

You should note that the above proforma market capitalisation is computed based on our enlarged share capital. Our actual share price upon Listing is subject to market vagaries and may differ from that illustrated above, particularly if not all Entitled Shareholders or shareholders of Negara elect to receive our Shares.

See Section 11 for further information on our share capital.

3.5 Information on the Issuance

The Issuance arises as a consequence of the Merger and Capital Repayment. The Issuance provides an opportunity for the Entitled Shareholders to participate in our equity and future performance in view of the Merger and allows us to achieve the shareholding spread required for our Listing.

The Issuance involves an issuance to you, as Entitled Shareholders, at your election to receive our Shares for your shares in the Participating Companies. A total of up to 6,024.4 million ordinary shares of RM0.50 each in our Company will be issued under the Issuance.

As an Entitled Shareholder, you will receive an Election Notice (containing the Election Form), together with this Prospectus. The Election Form (as contained in the Election Notice) will specify the number of shares that you hold in a Participating Company and the corresponding number of our Shares that you can elect to receive at the respective share conversion ratio based on the number of shares that you hold in the Participating Companies in the CDS account to which the Election Notice relates as at the Entitlement Date. The said Election Form is for you to elect to receive our Shares arising from your shareholding in a particular Participating Company.

See Notice to Shareholders on page (i) and Section 4.3 for further information on the Issuance and options available to Entitled Shareholders.

3.6 Risk Factors

Before electing to receive our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors and investment considerations below. The following is only a summary of the risk factors and investment considerations and is not an exhaustive list of challenges that we currently face or that may develop in the future. Additional risk factors, whether known or unknown, may in the future have a material adverse effect on us or our Shares:

3.6.1 Risk factors relating to our Shares

- By choosing to receive our Shares, Entitled Shareholders will be exposed to the performance of our 5 core businesses;
- There has been no prior trading market for our Shares within or outside Malaysia;
- The market price of our Shares may be volatile;
- There may be a delay or failure in our Listing;
- We may require borrowings to fund the cash payments to you if you choose to receive cash for your shares in the Participating Companies and this can affect our resultant gearing; and
- We face integration risks when integrating our businesses upon the completion of the Merger.

3.6.2 Risk factors relating to our core businesses

(i) Plantations

- Palm oil faces competition from other substitute oils;
- We face competition for resources such as plantation land;
- Fluctuations in palm product prices will affect our performance;
- We are dependent on the availability of an adequate labour force;
- Variations in the yield levels of oil palms due to cyclical variation and seasonal factors can affect our performance;
- Bad weather conditions may affect our performance;
- Pests and diseases may affect our performance;
- We are exposed to monoculture risk;
- We are subject to business risks inherent in the palm oil industry;
- We may face a breakout of fire, energy crisis and other emergencies;
- A significant interruption in operations could reduce production capacities;
- We are subject to environmental laws as well as environmental risks;
- There are risks associated with the construction and operation of biodiesel plants; and
- We are exposed to risks from our overseas operations.

(ii) Property

- The cost of our development projects may escalate due to land appreciation and increases in construction cost;
- There may be delays in the completion of development projects;
- We are exposed to inventory build-up;
- We face competition from other property developers; and
- Our performance is dependent on our ability to secure suitable land bank.

(iii) Motor

- We are dependent on distributorships and/or dealerships for the marques that we represent; and
- Our performance is subject to the economic and regulatory framework of countries in which we operate.

(iv) Heavy equipment

- We are reliant on Caterpillar distribution rights; and
- Our performance is subject to the economic cycles of the industries which use our equipment.

(v) Energy and utilities

- The level of oil prices may affect the demand for our products and services in the oil and gas industry;
- There may be delays in completion of contracts that are beyond our control;
- There may be cost overruns requiring provisions for contract losses which may adversely affect us; and
- There are significant risks involved in our potential participation in other utility projects.

3.6.3 Other risk factors

- We are subject to political, economic, market and regulatory considerations;
- Our performance is affected by changes in foreign exchange currency rates; and
- We rely on the continued employment and performance of our key personnel.

See Section 5 for further information on risk factors.

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4. DETAILS OF THE ISSUANCE

4.1 Opening and Closing of the Election Offer Period

Acceptances for the Election Form will be from 8.30 a.m. on 27 October 2007 to 5.00 p.m. on 16 November 2007. Our Directors may decide, at their absolute discretion, to extend the closing time and date for the Election Offer Period to any later time and date. We will announce any extension of the closing time and date for the Election Offer Period in at least 1 widely circulated Bahasa Malaysia and English daily newspaper in Malaysia. If the closing date for the Election Offer Period is extended, the dates for the allotment of our Shares and/or payment of cash to you and our Listing will be extended accordingly.

The indicative timing of events leading to our Listing is as follows:

Event	Tentative date
Opening of the Election Offer Period.	27 October 2007
Closing of the Election Offer Period.	16 November 2007
Last date to despatch cheques/notices of allotment for our Shares	29 November 2007
Listing of our Shares	30 November 2007

4.2 Purpose of the Issuance

The Issuance arises as a consequence of the Merger and Capital Repayment. The Issuance provides an opportunity for the Entitled Shareholders to participate in our equity and future performance in view of the Merger and allows us to achieve the shareholding spread required for our Listing.

4.3 Details of the Issuance

The Issuance involves an issuance to you, as Entitled Shareholders, at your election to receive our Shares for your shares in the Participating Companies. A total of up to 6,024.4 million ordinary shares of RM0.50 each in our Company will be issued under the Issuance. PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies.

As an Entitled Shareholder, you will receive an Election Notice (containing the Election Form), together with this Prospectus. The Election Form will specify the number of shares that you hold in a Participating Company and the corresponding number of our Shares that you can elect to receive at the respective share conversion ratio based on the number of shares that you hold in the Participating Companies in the CDS account to which the Election Notice relates as at the Entitlement Date.

The Election Form as contained in the Election Notice is for you to elect to receive our Shares arising from your shareholding in a particular Participating Company. If you do not elect to receive our Shares, you will receive a cheque for a cash amount equivalent to the offer price per share in the Participating Company multiplied by the number of shares that you hold in the Participating Companies, as offered through the Simultaneous Offers. This offer price is set out in Section 4.5.

1 Election Notice is issued in respect of shares for each Participating Company in each CDS account that you hold. For example, if you hold KGB Shares and Sime Darby Shares in 1 CDS account, and GHope Shares and Sime Darby Shares in another CDS account, then you will receive a total of 4 Election Notices (each containing the Election Form).

Our new Shares to be issued under the Issuance will, upon allotment and issue, rank equal in all respects with our existing issued and fully paid-up Shares, except that the holders of our new Shares will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is before the date of allotment of our new Shares. Our new Shares will also carry the rights relating to voting, dividends, and entitlement to share in any surplus in the event of liquidation of our Company as set out in Section 11.1(i).

Based on the last traded prices of the shares of the Participating Companies on 17 October 2007 before the suspension of the trading of the said shares on 18 October 2007 as set out below, our proforma market capitalisation is RM53.8 billion. On the basis that all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies, up to 6,024.4 million shares will be issued, which translates to a theoretical market price of RM8.93 for each of our Shares.

Participating Company	Last traded price as at closing of 17 October 2007 (RM)
GHope	9.10
GRopel	7.50
HLB	8.40
KGB	7.10
Mentakab	3.28
Sime Darby	11.20
Sime Engineering	2.64
Sime UEP	6.60

(Source: Bursa Securities market data)

Based on the said theoretical price and our share capital as at 1 October 2007 and the assumption that all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies and that the consideration for the Negara MGO is fully satisfied by our Shares, our total enlarged proforma market capitalisation is estimated to be RM54.3 billion.

You should note that the above proforma market capitalisation is computed based on our enlarged share capital. Our actual share price upon Listing is subject to market vagaries and may differ from that illustrated above, particularly if not all Entitled Shareholders or shareholders of Negara elect to receive our Shares.

The estimated expenses of RM48.9 million in relation to the Merger and Listing to be borne by our Company consists of the following:

	RM million
Estimated professional fees[(1)]	24.8
Fees paid/payable to authorities[(2)]	3.2
Miscellaneous expenses	20.9
Total	**48.9**

Notes:

(1) For advisory, legal and accounting services obtained in relation to our Merger and Listing exercise, excluding consultancy fees for integration and branding.

(2) Includes SC fees and Bursa Securities listing fee.

4.4 Merger of GHope Group, KGB Group and Sime Darby Group

On 27 November 2006, our Company announced the Simultaneous Offers to acquire the entire businesses and undertakings of the GHope Group, KGB Group and Sime Darby Group with the objective of merging the businesses of the GHope Group, KGB Group and Sime Darby Group under our Company.

On 24 January 2007, our Company entered into a Sale of Business Agreement with each of the Participating Companies pursuant to the acceptance of our Simultaneous Offers. In addition, each Participating Company announced that, subject to the Business Disposal and the requisite approvals, each Participating Company would carry out a Capital Repayment and simultaneously issue new ordinary shares at par value to our Company.

As at 1 October 2007, our Company and each of the Participating Companies have received all requisite approvals for the Merger and Capital Repayment. Accordingly, the Sale of Business Agreements have become unconditional. Our Company has on 1 October 2007 launched the Negara MGO. The completion of the Merger and Capital Repayment will take place after the Election Offer Period, upon which our new Shares will be issued and/or cash will be paid to you based on your election under the Election Form.

4.5 Business Acquisition and Capital Repayment

The Merger will be achieved through the acquisition of the entire businesses and undertakings, including the assets and liabilities, carried on by each of the Participating Companies as stipulated in the Simultaneous Offers as at the completion of the Merger. The Business Acquisition will be settled by a total Consideration that is equivalent to the offer price, as set out in the table below, multiplied by the total outstanding ordinary shares of the Participating Companies (less treasury shares, if any) as at completion of the Business Acquisition. To return the Consideration to the shareholders of the Participating Companies, each Participating Company will carry out the Capital Repayment which will ultimately allow the Entitled Shareholders to receive either our Shares or cash from the cancelled shares of the Participating Companies as follows:

Participating Company	Offer price per Participating Company share[1] RM	Number of Participating Company shares in issue[2] million	Consideration RM million	Cash receivable per Participating Company share RM	No. of our Shares receivable per Participating Company share[3]	Total Shares to be issued million
GHope	5.46	1,509.7	8,242.7	**5.46**	**1.04**	1,556.4[4]
GRopel	4.46	127.0	566.6	**4.46**	**0.85**	107.9
HLB	5.09	604.3	3,076.1	**5.09**	**0.97**	585.9
KGB	4.27	1,027.1	4,385.6	**4.27**	**0.81**	453.4[4]
Mentakab	1.96	60.2	118.1	**1.96**	**0.37**	22.5
Sime Darby	6.46	2,524.0	16,305.0	**6.46**	**1.23**	2,847.4[4]
Sime Engineering	1.57	490.1	769.4	**1.57**	**0.30**	146.6
Sime UEP	3.95	404.5	1,597.8	**3.95**	**0.75**	304.4
Total			**35,061.2[5]**			**6,024.4**

Notes:

(1) The offer price per Participating Company share represents a premium of 5% over the last closing market price of the respective Participating Company on 22 November 2006, which was the last trading day before the Simultaneous Offers were made.

(2) Less treasury shares, if any.

(3) Approximated ratio based on the offer price per Participating Company share as set out in each of the Simultaneous Offers, divided by the issue price of our Shares of RM5.25 each. The issue price of RM5.25 was arrived at after due consideration to the desired enlarged share base of our Company in terms of the number of our Shares in issue.

(4) The total number of our Shares to be issued will be reduced due to the shareholding of the Tier 1 Participating Companies in the Tier 2 Participating Companies.

(5) The total net consideration to be paid to acquire the businesses and undertakings under the Merger will amount to RM31.6 billion due to the shareholding of the Tier 1 Participating Companies in the Tier 2 Participating Companies.

The Simultaneous Offers and Sale of Business Agreements envisage the issuance of the RCPS A as Consideration to be returned to the Entitled Shareholders so that you can elect to receive our Shares or cash in relation to your shareholdings in the Participating Companies. However, since the Capital Repayment in relation to each Participating Company has been approved by the Court, for administrative ease and efficiency, no RCPS A will be issued to the Entitled Shareholders. Unless otherwise approved by our Board, Entitled Shareholders will be directly issued our Shares or a cash payment for their shares in the Participating Companies based on your election under the Election Form.

4.6 Approvals and Conditions

The Merger, Capital Repayment, Issuance and Listing have been approved by the following authorities:

	Authority	**Date of approval**
(i)	SC	16 July 2007
(ii)	SC (under the FIC Guidelines)	16 July 2007
(iii)	MITI	15 August 2007
(iv)	BNM	28 August 2007
(v)	Court	28 September 2007[1] and 1 October 2007[2]

Notes:

(1) In respect of GHope, HLB, Mentakab, Sime Darby, Sime Engineering, and Sime UEP.

(2) In respect of KGB and GRopel.

The SAC has classified our Shares as Shariah-compliant based on the audited financial statements of the GHope Group and Sime Darby Group for the financial year ended 30 June 2006 and the KGB Group for the financial year ended 31 December 2006 and on the Shariah criteria adopted by the SAC. This classification remains valid from the date of this Prospectus until the next Shariah compliance review is undertaken by the SAC and the new status is released in the updated list of Shariah-compliant securities, on the last Friday of either May or November of each year.

4. DETAILS OF THE ISSUANCE *(cont'd)*

Bursa Securities has, via its letter dated 11 September 2007, given its approval-in-principle for our admission to the Official List of Bursa Securities and the Listing.

The shareholders of the respective Participating Companies have, at the respective EGM of the Participating Companies held between 18 August 2007 and 24 August 2007, approved the Business Disposal, Capital Repayment and Share Issue by Participating Companies.

The conditions imposed by the authorities and the status of the compliance with these conditions are as follows:

(i) SC's letter dated 16 July 2007:

Conditions	Status of compliance
(a) Each of the Participating Companies should make detailed disclosure, in their circulars to shareholders, on the following: (aa) The views of the respective Boards of the Participating Companies on the method used to undertake the Merger via the disposals of the businesses and undertakings of the respective Participating Companies and not via take-over routes; (bb) The views of the respective Boards of the Participating Companies on the offer price received from Synergy Drive for the businesses and undertakings of the respective Participating Companies, valuation methodology used in valuing the businesses and undertakings and issue price of Synergy Drive's consideration shares; (cc) Detailed explanation on why the Merger is not considered as a related-party transaction and that all shareholders are therefore allowed to vote at the shareholders' meetings of the respective Participating Companies; (dd) Details on how Synergy Drive is to finance, and otherwise address the issue of, the potential cash payment to shareholders in the event the shareholders of the respective Participating Companies opt to redeem the RCPS A; and (ee) The hypothetical calculation/simulation, in plain language, on, amongst others, the shareholders' entitlement to the RCPS A and the conversion of RCPS A to Synergy Drive Shares or cash to be received by them pursuant to the redemption of RCPS A;	Complied with. The relevant disclosures have been incorporated in the circular to shareholders of the Participating Companies dated 23 July 2007.

4. DETAILS OF THE ISSUANCE *(cont'd)*

Conditions		Status of compliance
(b)	The financial advisers appointed to advise the shareholders should also provide clear explanation to the shareholders on the options available pursuant to the Merger (i.e. the option of converting the RCPS A into Synergy Drive Shares or redeeming the RCPS A for cash);	Complied with. The relevant disclosures have been incorporated in Part B of the circular to shareholders of the Participating Companies dated 23 July 2007.
(c)	CIMB, Synergy Drive and the Participating Companies should ensure that proper dissemination of information with regard to the Merger be made in a timely manner to the shareholders of the Participating Companies, locally and abroad;	On-going compliance.
(d)	Bumiputera investors holding at least 30% of the share capital upon listing of Synergy Drive for the purpose of complying with the National Development Policy requirement should be approved/recognised by MITI;	Complied with. MITI, via its letter dated 15 August 2007, has recognised the Bumiputera shareholders holding at least 30% of the share capital of our Company upon Listing.
(e)	Synergy Drive should comply with any equity conditions that may be imposed on the companies licensed by MITI pursuant to the Business Acquisition;	To be complied with.
(f)	CIMB and Synergy Drive should inform SC upon completion of the Merger; and	To be complied with.
(g)	CIMB and Synergy Drive should fully comply with the relevant requirement as stipulated in the Policies and Guidelines on Issue/Offer of Securities pertaining to the implementation of the Proposals.	To be complied with.

In the same letter, the SC (under the FIC Guidelines) has also stated that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Synergy Drive would change arising from the implementation of the Merger (which we have noted), as follows:

(a) Assuming full conversion of RCPS A and RCPS B into Synergy Drive Shares and the Negara MGO is satisfied entirely by our Shares:

	Before proposal (as at 15.03.07) %	**After the conversion of RCPS A and RCPS B %**	**After Negara MGO %**
Bumiputera	-	50.92	50.88
Non-Bumiputera	100.00	27.70	27.76
Foreign	-	21.38	21.36
Total	100.00	100.00	100.00

(b) Assuming full redemption of RCPS A and RCPS B for cash (except for PNB and PNB Unit Trust Funds) and the Negara MGO is satisfied entirely in cash:

	Before proposal (as at 15.03.07) %	After the conversion of RCPS A and RCPS B* %	After Negara MGO %
Bumiputera	-	100.00	100.00
Non-Bumiputera	100.00	-	-
Foreign	-	-	-
Total	100.00	100.00	100.00

Note:

* *Conversion by PNB and PNB Unit Trust Funds.*

(ii) MITI's letter dated 15 August 2007:

Condition	Status of compliance
Synergy Drive to obtain the SC's approval and to comply with the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests.	Complied with.

(iii) The SC has, via its letters dated 24 September 2007 and 4 October 2007, approved our request for waivers from complying with certain requirements of the Prospectus Guidelines as follows:

Reference to the Prospectus Guidelines	Details of the waivers and conditions of approval (where applicable)
Procedures for registration – Paragraph 1.06	Reduced timeframe for submission of registrable prospectus prior to registration. **Condition imposed:** Subject to the condition that the registrable prospectus of Synergy Drive is in its final and complete form.
Paragraph 8.07	Full requirements for the disclosure on the key achievements/milestones/awards of the corporation/group; **Approval obtained:** To disclose certain recent and key awards and achievements which are relevant.

4. DETAILS OF THE ISSUANCE *(cont'd)*

Reference to the Prospectus Guidelines	Details of the waivers and conditions of approval (where applicable)
Paragraph 8.09 (l) and (m)	Full requirements for the: (l) Disclosure on approvals, major licences and permits obtained, conditions attached (if any) and status of compliance; and (m) Disclosure on any brand names, patents, trade marks, licenses, technical assistance agreements, franchises and other intellectual property rights pertaining to the corporation and salient terms of those rights. **Approval obtained:** To disclose only key licenses, permits, brand names, patents and franchises which are material to our enlarged Group in the Prospectus.
Paragraph 8.08 (b) and (e)	Full disclosure requirements on inactive subsidiaries and associated companies. In respect of key operating subsidiaries, full disclosure requirements on the information on subsidiaries and associated companies in terms of: (b) History; and (e) Issued and paid-up capital and changes therein since the date of incorporation. **Approval obtained:** To disclose information on only the key operating subsidiaries, disclosing only the name of company, date and country of incorporation, issued and paid-up capital, effective equity interest held, and principal activities.
Paragraph 18.03 (b) to (e)	Disclosure in relation to any capital of the corporation or any of its subsidiary corporations, which is under option, in respect of the following: (b) The period during which the option is exercisable; (c) The exercise price; (d) The consideration given or to be given for the option; and (e) The names of the grantees, provided that, where options have been granted or agreed to be granted to all shareholders or holders of debt securities or to any class thereof or to directors and employees under a share option scheme, it shall be sufficient, so far as the names are concerned, to record that fact without giving the names of the grantees.
Paragraph 18.11	Particulars of any capital of any of the corporation's subsidiaries which has, within 2 years immediately preceding the publication of the prospectus, been issued or proposed to be fully or partly paid-up otherwise than in cash.

Reference to the Prospectus Guidelines	Details of the waivers and conditions of approval (where applicable)
Paragraph 18.12	Particulars of any capital of any of the corporation's subsidiaries, which has, within 2 years immediately preceding the publication of the prospectus been issued or proposed to be issued for cash.
Paragraph 9.01 (d) and (e)	Information on substantial shareholders: The substantial shareholders of Synergy Drive, save for CIMB PE, are exempted from disclosing their respective directors and substantial shareholders as well as their nominee directorships and substantial shareholdings in all other public corporations for the past 2 years.
Paragraph 9.01	Full details of other eventual substantial shareholders, which are not identifiable.
Paragraph 9.12 (a)	Information on the average number of years of service of the employees.
Paragraph 11.01	Disclosure on the related-party transactions of the Participating Companies. **Condition imposed:** Synergy Drive is required to comply with the disclosure requirements for related party transaction in accordance with Chapter 11 of the Prospectus Guidelines.
Paragraph 11.03	Disclosure on substantial shareholders' direct and indirect interest in other businesses, corporations carrying on similar trade as the corporation.
Paragraph 12.01	Full disclosure on information on land and buildings owned and leased by the corporation/group. **Approval obtained:** To disclose information on the properties and lands to be owned under the Synergy Drive group in respect of the location, description (whether land or building), tenure (freehold or leasehold), year of expiry, age of building, area (size), and net book value as at the latest audited accounts.
Paragraph 13.09 (b)	Historical financial information in respect of gross profit and gross profit margin. **Approval obtained:** To disclose operating profit in the prospectus.
Paragraphs 13.22 to 13.30	Disclosure of future financial information, including the profit and cash flow forecasts in the prospectus.

Reference to the Prospectus Guidelines	Details of the waivers and conditions of approval (where applicable)
Chapter 14	Inclusion of an Accountants' Report in the prospectus **<u>Condition imposed:</u>** The annual reports (for the past 3 years) in respect of the 3 listed groups of companies i.e. Sime Darby Group, GHope Group and KGB Group are attached to the Prospectus in a CD-Rom format. As the annual reports of the 3 listed groups of companies currently do not reflect the latest available audited accounts, we have instead presented the latest audited financial statements for the GHope Group and Sime Darby Group for the past 3 financial years ended 30 June 2005, 2006 and 2007, and for the KGB Group for the past 3 financial years ended 31 December 2004, 2005 and 2006 as well as for the 6 months period ended 30 June 2007. The audited financial statements are contained in a CD-ROM attached to the Prospectus.

In addition, the SC has, via its letter dated 7 September 2007, approved our request for an exemption from having to undertake a mandatory offer on the remaining voting shares in Sime Engineering, Sime UEP, GRopel, HLB and Mentakab under Section 33C of the Securities Commission Act, 1993, and granted an extension of time period from sending respective notices of mandatory offer to the said companies until the completion of the Capital Repayment. However, the Issuance and the Listing is not subject to this exemption. The conditions imposed by the SC under this exemption is as follows:

	Conditions	Status of compliance
(a)	An exemption to our Company from having to undertake a mandatory offer for the remaining voting shares in Sime Engineering, Sime UEP, GRopel, HLB and Mentakab, subject to the completion of the Capital Repayment in the said companies.	To be complied with. The Capital Repayment is pending completion that can only take place after the Election Offer Period.
(b)	The Capital Repayment to be completed within 6 months from the date of the approval letter for the exemption, failing which, the exemption will be invalidated and the applicant will be required to make a mandatory offer under Part II of the Code immediately.	To be complied with.
(c)	CIMB to announce the decision on the exemption.	Complied with. Announcement was made by all the Participating Companies on 10 September 2007.

5. RISK FACTORS

Before electing to receive our Shares, you should pay particular attention to the fact that we, and to a large extent our businesses, are affected by the legal, regulatory and business environment in Malaysia and other countries in which we will have operations, as well as a number of other factors, many of which are outside our control. Before making an investment decision, you should carefully consider the risk factors and investment considerations described below in addition to all other relevant information contained elsewhere in this Prospectus. The risk factors and investment considerations set out below are not an exhaustive list of challenges that we currently face and that may develop in the future. Additional risk factors, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

5.1 Risk Factors relating to our Shares

(i) By choosing to receive our Shares, Entitled Shareholders will be exposed to the performance of our 5 core businesses

With the completion of the Merger, we will have 5 core businesses, namely, plantations, property, motor, heavy equipment, and energy and utilities. By choosing to receive our Shares, Entitled Shareholders will be exposed to the said businesses. The specific risks inherent in these businesses are set out in Section 5.2.

Entitled Shareholders should note that, depending on the Participating Company in which you are a shareholder, the income profile of your investment in the Participating Company will change if you elect to receive our Shares for your shares in the Participating Company.

Whilst the shareholders of Sime Darby Group are already exposed to these 5 core businesses, those who elect to receive our Shares will have greater exposure to the plantations and property businesses upon completion of the Merger, and accordingly, will have greater exposure to the risk factors inherent in the plantations and property businesses.

Shareholders of GHope, HLB, and KGB (which are in the plantations business and have exposure in the property business) who elect to receive our Shares will be exposed to new businesses, namely, the motor, heavy equipment, and energy and utilities businesses, and will also face greater exposure to the plantations and property businesses. As such, these shareholders will be exposed to the risks inherent in each of these businesses.

Shareholders of pure plantation companies, namely, GRopel and Mentakab, who elect to receive our Shares will have exposure to the property, motor, heavy equipment, and energy and utilities businesses while shareholders of Sime UEP who elect to receive our Shares will have exposure to the plantations, motor, heavy equipment, and energy and utilities businesses. Shareholders of Sime Engineering who elect to receive our Shares will have exposure to the plantations, property, motor, and heavy equipment businesses.

In line with our intention to expand our core businesses, opportunities may arise that may require substantial capital outlay and are subject to risks which will be assessed in totality before we undertake any plans. See "Strategies for other core businesses" under Section 7.3 for further information.

Nonetheless, you should note that whilst you will be subject to risks inherent in the businesses that you previously had no or less exposure to, the varied market and lifecycles of the different core businesses provide an opportunity for risk diversification. Further, you would also be able to have exposure to the collective performance of each business, as well as the potential synergies arising from the Merger.

(ii) There has been no prior trading market for our Shares within or outside Malaysia

Whilst a trading market has existed for the shares of each of the Participating Companies prior to the suspension of their respective trading, there has been no prior trading market for our Shares.

There can be no assurance that the trading price of our Shares may reflect our financial and operating conditions, our prospects and the prospects of the industries in which we will operate. The market price of our Shares upon Listing is subject to the vagaries of market forces and many other factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the markets for similar securities. We do not have any obligation to make a market for our Shares.

(iii) The market price of our Shares may be volatile

The market price of our Shares could be affected by numerous factors, including:

(a) general market, political and economic conditions;

(b) changes in earnings estimates and recommendations by financial analysts;

(c) changes in market valuations of listed shares in general and other related companies' shares in particular;

(d) changes in government policy, legislation or regulation; and

(e) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could affect the market price of our Shares.

The Malaysian and global equity markets have experienced price and volume volatility that has affected the share prices of many companies. In addition, share prices of many companies have experienced wide fluctuations that have been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of our Shares.

(iv) There may be a delay or failure in our Listing

The occurrence of certain events, including the following, may cause a delay in or abortion of our Listing:

(a) The Entitled Shareholders (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) opt to receive cash for their shares in the Participating Companies such that we are unable to meet the public shareholding spread requirements of Bursa Securities which requires at least 25% of our issued and paid-up share capital for which listing is sought to be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of our Listing; or

(b) Events/circumstances which are beyond our control (including any legal suit by any party dissatisfied with the Merger or any matter in connection with the Merger) that can adversely affect our Listing.

Based on the existing market conditions and shareholding spread of each of the Participating Companies as at the LPD, our Board anticipates that the level of election for our Shares by the Entitled Shareholders will be such that we can meet the public spread requirements under the Bursa Securities LR.

After the Shares have been credited to the CDS accounts of the Entitled Shareholders who have opted to receive our Shares, which would take place at least 2 clear Market Days before our Listing, you will be a shareholder in our Company even if the admission into and the commencement of trading of our Shares on the Main Board of Bursa Securities does not occur. Delays in the admission and the commencement of trading in shares on Bursa Securities have occurred previously.

If Bursa Securities does not list our Shares, the market for our Shares may be illiquid. This may have a material adverse effect on the value of our Shares.

Nonetheless, in the event that the above events occur, our Directors would endeavour to take the necessary steps in the best interest of our shareholders, as advised by our advisors, and taking into consideration the level of public shareholding spread achieved and economic conditions at that point in time.

(v) We may require borrowings to fund the cash payments to you if you choose to receive cash for your shares in the Participating Companies and this can affect our resultant gearing

Upon receiving this Prospectus together with the enclosed Election Notice (containing the Election Form), you may elect by submitting the Election Form to receive our Shares for your shares in the Participating Companies. If we do not receive your completed Election Form, we will pay you cash for your shares in the Participating Companies. In the event that all Entitled Shareholders (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) and the remaining shareholders of Negara elect to receive cash under the Negara MGO, a total cash sum of RM15.2 billion will be required for payment to these shareholders. This will be sourced through borrowings and/or internal sources of funds and implies that we will potentially need to secure borrowings for up to RM15.2 billion to pay the said shareholders. The additional borrowings can result in a high gearing ratio to our Group immediately upon the completion of the Merger, whereby together with the existing borrowings of the Participating Companies of RM6.1 billion as at 30 June 2007, our proforma total borrowings could potentially be RM21.3 billion, representing a proforma gearing ratio of 5.2 times.

Nonetheless, the Entitled Shareholders may decide to receive our Shares for their shares in the Participating Companies, especially given that the market prices of the shares of the Participating Companies prior to the suspension of the trading of such shares are substantially higher than the cash entitlement sum under the Election Notice. Assuming that all the Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies and the consideration for the Negara MGO is satisfied entirely by our Shares, then our borrowings will comprise the existing borrowings of the Participating Companies which stood at approximately RM6.1 billion, representing a proforma gearing ratio of 0.32 times based on our proforma balance sheets as at 30 June 2007.

In the event that the Entitled Shareholders decide to receive cash for their shares in the Participating Companies, we will initially fund the said cash payment via bank borrowings. If this amount is in excess of RM500 million, we can look to refinance the bank borrowings via private debt securities in view of our ability as an enlarged Group to generate cashflows from our core businesses.

(vi) We face integration risks when integrating our businesses upon the completion of the Merger

Integration risks can arise when distinct companies are integrated under a single entity due to, amongst others, differences in culture, business processes, practices and policies. In addition, there is no assurance that the anticipated benefits of the Merger, such as the potential synergies arising from the integration, will be realised, or if realised, will be realised in a timely manner. Specifically, the synergies do not represent a forecast of our future performance and are subject to the assumptions set out under "Strategies" in Section 7.3. There is also no assurance that our Group will be able to generate sufficient incremental revenues from the merged businesses to offset the associated integration costs. The continued growth and success of our Group will depend on the speed, ease and effectiveness of the integration.

Nonetheless, we have taken steps to address this risk by forming a MIC and appointing a team of merger integration consultants to study the potential synergies that can be extracted from the Merger, and identify key strategy areas, design broad integration strategies and develop plans to capture the synergies.

5.2 Risk Factors relating to our Core Businesses

Our Group will be subject to risk factors inherent in the 5 core businesses that we will be involved in. We have set out below the risk factors relating to these business segments.

5.2.1 Risks relating to our plantations business

(i) Palm oil faces competition from other substitute oils

Palm oil faces competition from other oils such as soybean and rapeseed oils. We cannot assure you that the palm oil industry will be able to maintain or expand its existing market share in the oils and fats market in the future. Any significant change in customers' preference towards the substitute for palm oils and fats will affect the demand and prices for palm oil products. This in turn may affect our performance.

However, with the Government's continued support which includes extensive research, development and marketing promotions undertaken by governmental bodies such as MPOB and Malaysian Palm Oil Council and other incentives given to the industry, Malaysian palm oil producers have in the past expanded their market share in the world's oils and fats market.

(ii) We face competition for resources such as plantation land

The Plantations division competes with other plantation companies in the procurement of suitable plantation land when carrying out expansion plans. Increasingly more plantation companies are moving across the value chain towards becoming integrated palm oil businesses. In addition, non-traditional players including private equity firms are looking to enter the palm oil industry.

As our Group will be committed to environmental conservation and membership of the Roundtable on Sustainable Palm Oil (**"RSPO"**), any future acquisitions of suitable plantation land will only be undertaken after taking into consideration the impact on the environment.

In certain regions, the Plantations division also competes with other commercial millers for the supply of FFB in the same region. However, with its years of experience in the palm oil industry, the Plantations division has developed long-standing relationships with the respective suppliers to ensure that the supply of raw materials from the suppliers will not be adversely affected and the sale of CPO and PK by the Plantations division will remain relatively stable.

The Plantations division's mills are strategically located and have enjoyed a strong and steady stream of FFB supplies from its own estates as well as the surrounding small and medium sized plantations which do not have their own mill. The current policies of government authorities and MPOB of only approving new palm oil mill licences in line with the availability of FFB supply in the region have reduced issues relating to excess milling capacity.

(iii) Fluctuations in palm product prices will affect our performance

On a proforma basis, for the financial year ended 30 June 2007, our enlarged plantations business contributes approximately 43% to our operating profit. The performance of our plantations operations is dependent on the prices at which we can sell palm products.

Palm products are commodity products which are susceptible to supply and demand conditions. The prices of palm products vary on a daily basis and as such, the earnings of the Plantations division are subject to market vagaries. Since the trade and exports of the country's crude and processed palm oil products are undertaken in USD, the prices of palm product are also highly susceptible to fluctuations in the USD/RM exchange rate. In addition, the prices of palm products are fundamentally dependent on the supply and demand conditions in the world's oils and fats market.

The Plantations division mitigates price fluctuations, where possible, with forward hedging contracts and by maintaining a globally competitive cost structure.

Our Group's Plantations division currently participates in downstream palm oil activities, which will, to an extent, mitigate any adverse impact on our performance arising from fluctuations in CPO and PK prices and reduce its dependency on external customers. Further, the biodiesel business is expected to provide an additional source of demand for CPO.

(iv) We are dependent on the availability of an adequate labour force

The plantations business is labour intensive by nature. Oil palm plantations require extensive manpower in the nurturing of seedlings, palm planting, manuring, harvesting and other routine maintenance work to achieve optimal yields. The palm oil industry in Malaysia has been facing difficulty in recruiting Malaysian workers and has resorted to employing foreign workers.

As such, our Plantations division employs a reasonably large number of foreign workers for our Malaysian oil palm plantations and mills. The Plantations division adheres strictly to a policy of employing only legal workers. The automation and mechanisation of some field operations have, to some extent, insulated the Plantations division from disruptions arising from labour shortages. Historically, labour shortages have been a problem, but have not had a significant impact on our performance.

In order to attract and retain employees, the Plantations division provides attractive incentives, benefits, welfare schemes and facilities such as clinics, living quarters, schools and sports amenities for its staff and their families.

Although the Plantations division believes that the continuous improvement in operations processes in the estates and mills can reduce its dependency on foreign labour, no assurance can be given that the Plantations division will not face any labour shortage in the future. Further, changes in immigration and labour policies by the Government in respect of foreign workers may affect the availability of labour force for the Plantations division's Malaysian operations, and in turn may affect the performance of our Group.

(v) Variations in the yield levels of oil palms due to cyclical variation and seasonal factors can affect our performance

Oil palm is a perennial crop and is subjected to physiological stress on a cyclical basis. Oil palms produce crops throughout the year but there are seasonal variations. Production also varies with the age and condition of the oil palms, the local environment and the weather. Annual FFB yield normally experiences a cyclical pattern, with higher yields at certain intervals. An exceptionally high yielding year will be followed by lower yielding years when the oil palms produce lower output as a result of a period of production stress.

After the palms have passed their prime age, the harvested FFB yield is expected to decrease and such decrease will affect the performance of the plantation estates.

As part of the integration process, the Management and the Plantations sub-committee established pursuant to the announcement of the Merger have studied the maturity profile of the Group's plantations, and accordingly, we seek to mitigate this risk by having a balanced maturity profile and by increasing efficiency to enhance yield per hectare.

(vi) Bad weather conditions may affect our performance

Weather has strong effects on oil palm yields. The weather in Malaysia for the last decade has been affected by global warming and weather phenomena such as El Nino and La Nina.

The volatile and unpredictable weather pattern requires the management of the Plantations division to be meticulous and far sighted in terms of planning. Wet weather adversely affects harvesting and crop recovery as plantations become less accessible due to poor road conditions while dry weather affects the yield of oil palms as low rainfall generally equates to lower FFB yields 18 months later.

Although it is impossible to regulate rainfall patterns, the management of the Plantations division takes practical steps to mitigate the effects of excessive rainfall or drought. These include EFB mulching, construction of silt pits and trenches, and planting legume cover crops.

Notwithstanding that the management of the Plantations division continuously studies and devises ways to enhance yield consistency during adverse weather conditions, there is no guarantee that adverse weather patterns will not have a severe impact on the production of FFB.

(vii) Pests and diseases may affect our performance

Oil palms are generally not severely affected by pests and diseases. However, there are occasional outbreaks of pests such as leaf eating insects and diseases that will affect all crops which are grown on a large scale. During the younger stages of its lifecycle, oil palms are more susceptible to pest attacks. Any pests and diseases that specifically attack oil palms can materially affect the performance of the Plantations division.

The Plantations division takes adequate measures to control the population of pests in its estates primarily by use of integrated pest management systems and close monitoring to ensure that the pest population remain below threatening levels.

(viii) We are exposed to monoculture risk

Our plantation activities, namely oil palm, are largely concentrated on the cultivation of a single type of crop. As such, we are exposed to monoculture risk. These oil palms may be susceptible to an attack by previously undiscovered pests, diseases and plant pathogens. Whilst the Plantations division practises measures to minimise the susceptibility of our oil palms to pests, diseases or plant pathogens, there can be no assurance that such an attack will not occur in the future. The occurrence of such attacks may critically impair the sustainability of the palm oil industry and may adversely affect the operations, production and yield of the Plantations division.

(ix) We are subject to business risks inherent in the palm oil industry

The Plantations division is not insulated from general business risks and certain risks inherent in the palm oil industry. The oil palm plantation business might be affected by the global, regional and national economy, entry of new players, changes in weather conditions, outbreak of pests and diseases, constraints in labour supply, changes in law and tax legislation affecting the palm oil industry, increase in production costs, changes in business and credit conditions, fluctuations in commodity prices and foreign exchange rates, introduction of new technologies, changes in consumers' taxes and threat of substitutes for palm oil products.

Although the Plantations division seeks to limit these risks through, amongst others, effective resource management, close supervision of its oil palm plantations and effective cost control policy, no assurance can be given that any changes to these factors will not have a material adverse effect on the palm oil industry.

In recent years, palm oil has become increasingly affected by negative publicity, with certain non-governmental and environmental organisations throughout Europe and the USA alleging that palm oil is detrimental to health and that oil palm plantation activities adversely affect the environment, including destroying the habitat of endangered wildlife.

To dispel these misconceptions, the Malaysian Palm Oil Council has publicly opposed these allegations, while the Malaysian Palm Oil Wildlife Conservation Fund was established by the Government to ensure its commitment towards environmental conservation. In addition, in June 2007, representatives from the Plantation Industries and Commodities Ministry, the MPOB, the Malaysian Palm Oil Council, and the Malaysian Palm Oil Association presented the case to the EU to challenge the aforementioned allegations against palm oil and its related products.

(Sources: Malaysian Palm Oil Council website at www.mpoc.org.my and speech by the Plantation Industries and Commodities Minister dated 5 May 2007)

Although palm oil players, associations and the Government have increased their efforts to challenge the aforesaid allegations, no assurance can be given that prolonged efforts to undermine palm oil and its related products will not have a material adverse effect on the palm oil industry.

Additionally, as with the rest of the plantations industry, the Plantations division leases plantation land and needs to renew such leases prior to their expiry. However, historically, the Plantations division has not experienced any problems in extending the lease tenure of plantation land, as and when necessary.

(x) We may face a breakout of fire, energy crisis and other emergencies

As in any business, the breakout of fire, energy crisis and other emergency risks could adversely affect the business operations and financial performance of the Plantations division. For instance, a fire breakout may damage or destroy any of the Plantations division's palm oil mills, oil palms, buildings, plant and machinery, whilst a prolonged breakdown in power supply may disrupt the business operations and progress. Presently, in line with industry practice, the oil palms of certain of our estates are not insured as the management of the Plantations division is of the view that insuring oil palms is not economically beneficial, after having taken into consideration the fact that damage to oil palms arising from events other than pestilence and disease, is a remote occurrence.

In an effort to mitigate the risk of fire, the management of the Plantations division has in place proper fire safety procedures at its premises and maintains a sufficient level of water in the fields or main drain, especially in the peat areas to prevent major fire outbreaks.

Other than as stated above, insurance coverage of key risks has been procured for the physical assets of the Plantations division, in line with industry practice.

(xi) A significant interruption in operations could reduce production capacities

Any significant interruption to business operations as a result of mechanical failures of the facilities or natural disasters could materially and adversely affect the business, financial condition and results of operations of the Plantations division. Nevertheless, there have been no significant interruptions in the plantations business of the Plantations division which has had a significant effect on their operations during the past 12 months.

(xii) We are subject to environmental laws as well as environmental risks

Our estate and palm oil mills are subject to environmental laws in different countries. For instance, the environmental aspect of palm oil mills are regulated by the Department of Environment which monitors waste discharge such as effluent discharge. Depending on the locality, each mill is required to ensure that effluent discharges are below pre-determined waste levels, and one such parameter is biological oxygen demand levels. Violations and repeated violations can result in severe fines, jail sentences for employees and even the suspension of the mill's operating license.

We are committed to complying with the environmental regulatory requirements and will carry out consistent monitoring of environmental practices to ensure that we conform to and exceed beyond industry standards.

In addition, the oil palm plantation industry is also committed to the aspirations of the RSPO, in which the Plantations division is a member. Going forward, our Group will also commit to the Principles and Criteria of the RSPO. On 8 April 2004, the RSPO was formally established under Article 60 of the Swiss Civil Code with a governance structure that ensures fair representation of all stakeholders throughout the entire supply chain.

The RSPO is an association created by organisations that represents all stakeholders throughout the palm oil supply chain to promote the growth and use of sustainable palm oil and open dialogue with its stakeholders.

In particular, the RSPO will work on research and develop definitions and criteria for the sustainable production and use of palm oil; undertake practical projects designed to facilitate implementation of sustainable best practices; develop solutions to practical problems related to the adoption and verification of best practices for plantation establishment and management, procurement, trade and logistics; acquire financial resources from private and public funds to finance projects under the auspices of the RSPO; and communicate the RSPO's work to all stakeholders and to a broader public.

(Source: The RSPO website for the preceding 2 paragraphs at www.rspo.org)

(xiii) There are risks associated with the construction and operation of biodiesel plants

In addition to the capital outlay required, building efforts to construct the biodiesel plant may be exposed to completion and execution risk by third parties during the construction phase which could lead to a delay in the plant's operations. The construction risk is however much reduced as two of our three plants are already in operation and the construction of the third biodiesel plant is in an advanced stage and is on schedule. The main operating risks to the operations of the biodiesel business are product off-take, the price of the products and mineral oil, availability of raw materials, CPO price and regulatory changes that may limit the production, competitiveness and access of the palm oil-based biodiesel to the market, which affects its feasibility.

The Plantations division seeks to mitigate construction risk by engaging reputable contractors and having sufficient funding in place. To reduce reliance on CPO feedstock, the Plantations division has constructed a biodiesel plant with multi-feedstock capability which can reduce reliance on CPO as the only source of raw material.

However, there is no assurance that the construction of the biodiesel plant will not be delayed. Further, the growth of the biodiesel business can be negated due to rising CPO prices or raw material prices and limited market access.

(xiv) We are exposed to risks from our overseas operations

Currently, a significant portion of our plantations are in Indonesia. Further, oil palm plantation land expansion in Indonesia requires investment and new infrastructure. In certain cases, land expansion may raise issues relating to land rights between local communities and oil palm plantation companies in Indonesia. In addition, any introduction of new rules or legislation in respect of the palm oil industry by the Indonesian government and authorities may affect our performance.

In August 2007, the Government of Indonesia announced an increase in taxes on the export of CPO and its derivatives from 6.5% to a range of 5.0%, 7.5% and 10.0%, depending on the CPO price range of USD650 to USD850. Further, the Government of Indonesia has historically imposed conditions in respect of the level of community development and equity conditions on ownership of foreign investment companies in Indonesia. As a result, we may be required to divest a portion of our shareholding in certain of our Indonesian subsidiaries which are involved in plantations to an Indonesian citizen or an Indonesian company within 15 years of commencement of commercial production. The Plantations division has been advised by its Indonesian legal counsel that, in practice, the proportion of shareholding to be divested is typically 5% of the total share ownership, but shall be at the discretion of Badan Koordinasi Penanaman Modal ("**BKPM**").

Commercial production for PT Minamas Gemilang and PT Anugerah Sumbermakmur commenced in 2000 and 2004 respectively and commercial production for PT Budidaya Agrolestari and PT Sandika Natapalma commenced in 2004. Commercial production for PT Sime Indo Agro commenced in 1997. As a result, under the terms of the relevant BKPM approvals, the Plantations division may have to divest 5% of its shareholding in PT Minamas Gemilang by 2015, 5% of its shareholding in PT Anugerah Sumbermakmur, PT Budidaya Agrolestari and PT Sandika Natapalma by 2019 and 5% of its shareholding in PT Sime Indo Agro by 2012.

Although our Group will seek to limit these risks by, amongst others, complying with the relevant laws and regulations applicable in Indonesia, providing community development and being part of strong palm oil producers associations, no assurance can be given that these risks will not have a material adverse effect on our performance.

5.2.2 Risks relating to our property business

As the Property division is primarily involved in property development, we highlight below the risks in relation to our property development business.

(i) The cost of our development projects may escalate due to land appreciation and increases in construction cost

Appreciating land costs and fluctuations in construction costs particularly in terms of cost of material such as steel and cement are inherent risks in the property development industry.

The property development businesses under the Property division have historically been able to manage their costing and pricing practices to address the risk of any cost escalation in property development. Going forward, our Group can look towards leveraging on the economies of scale that we will achieve through the Merger to manage the costs relating to our property development business. Consequently, this allows the Property division to be more flexible in planning its development projects under different economic conditions.

Despite the foregoing, there can be no assurance that any change in the cost of development projects will not have a material impact on our performance.

(ii) There may be delays in the completion of development projects

The timely completion of a development project is dependent on many external factors which may be beyond the control of the Property division. Such external factors include obtaining approvals from various regulatory authorities as scheduled, sourcing and securing quality construction materials in adequate amounts, and on favourable credit terms, and satisfactory performance of building contractors who were appointed to complete the development project. Any delay may have a direct impact on our performance. The Property division seeks to mitigate this risk through, amongst others, efficient project management and maintaining a good relationship with its contractors. Overall, the Property division has a good track record of timely completion of projects with minimal disruption in construction works.

Nonetheless, there can be no assurance that the factors mentioned above will not lead to delays in the completion of any development project undertaken by the Property division.

(iii) We are exposed to inventory build-up

The Property division is exposed to the inherent risk of inventory build-up (i.e. property overhang) and low take-up of property due to various external factors such as inflation, rising interest rates, negative consumer sentiment, unattractive location of properties or oversupply of properties in the market. This may have a direct impact on the performance and cashflows of the Property division.

Notwithstanding the above, the Property division seeks to mitigate the risk of inventory build-up through timely launches of quality property developments in strategic locations and active marketing efforts to encourage a higher take-up rate of our properties.

(iv) We face competition from other property developers

There is intense competition in the offering of property products to the market given the number of property developers in the country. To mitigate this risk, the property division distinguishes itself from its competitors by ensuring that our property products are well marketed, undergo stringent quality control and are delivered on time to our customers. In addition, the Property division constantly review its development and marketing strategies in response to the economic conditions and market demands.

(v) Our performance is dependent on our ability to secure suitable land bank

The success of a property developer is very much dependent on the quantity, quality and location of its land bank. There is a need to ensure that the developer has sufficient quality land bank to sustain its future operations as well as to contribute positively to its future earnings.

Upon the completion of the Merger, the Property division's land bank will include approximately 1,565 Ha at strategic locations surrounding Bukit Raja; 521 Ha land bank mainly situated in Nilai and the Klang Valley; and 759 Ha parcels of land bank located at the West and South West of the Klang Valley.

Given the Plantations division's extensive land bank and the symbiotic relationship between the plantations business and property development business, there is potential for plantation land that is strategically located and has development potential to be used for property development. This provides an avenue through which the Property division can source its land bank for future operations and manage growth.

Notwithstanding the above, there can be no assurance that our Group will be able to secure additional land bank from the market that is suitable in terms of quantity, quality and location.

5.2.3 Risks relating to our motor business

(i) We are dependent on distributorships and/or dealerships for the marques that we represent

The Motor division holds distributorships and/or dealerships for some of the well known marques within the automotive industry. Each of the agreements with the respective principals or distributors contain conditions or obligations to be fulfilled by us. The distribution rights will continue until otherwise terminated with or without cause at the prerogative of the principals. Further, the dealership agreements with the respective distributors may be terminated in the event of our default as dealers. There can be no assurance that disputes will not arise which could affect our future performance.

Nonetheless, the management will continue to take all necessary steps to ensure that the obligations under the respective distributorship and/or dealership agreements are properly complied with.

(ii) Our performance is subject to the economic and regulatory framework of countries in which we operate

The Motor division is affected by the general economic conditions in the countries in which we operate. To illustrate, a soft car market can adversely affect the performance of the motor business. Similarly, a strong car market could have a positive impact on the performance of the motor business.

Further, our operations are also subject to the regulatory framework in the countries in which we operate. This regulatory framework include changes in the laws and regulations that govern the motor industry and tariff structure. Any favourable development in the regulatory framework is expected to improve our performance and vice versa.

5.2.4 Risks relating to our heavy equipment business

(i) We are reliant on Caterpillar distribution rights

The Heavy Equipment division relies substantially on the sale and rental of Caterpillar heavy equipment, parts and service support. Each Sale and Service Agreement and Distribution Agreement with Caterpillar Inc contains conditions or obligations to be fulfilled by us. The distribution rights will continue until otherwise terminated at the prerogative of Caterpillar Inc in accordance with the terms of the agreements with Caterpillar Inc, by giving a 90-day notice period. In such event, the heavy equipment business will not have the distribution rights to the relevant Caterpillar products.

Given the significant sales contribution of Caterpillar equipment to the Heavy Equipment division, upon completion of the Merger, we intend to continue to maintain and build our working relationship with Caterpillar Inc which commenced in 1929. Further, we will also use our best efforts to comply with the conditions imposed under the various agreements with Caterpillar Inc.

(ii) Our performance is subject to the economic cycles of the industries which use our equipment

Demand for our Heavy Equipment division's products and services depends on the level of activity in each of the industries that utilise heavy equipment, such as construction, mining, logging and oil and gas. For example, the mining industry in Queensland, Australia has experienced rapid growth in recent years which has had a positive impact on our performance. However, there can be no assurance that this level of performance can be sustained in the long term.

5.2.5 Risks relating to our energy and utilities business

(i) The level of oil prices may affect the demand for our products and services in the oil and gas industry

Oil prices have a direct bearing on the level of activities in the oil and gas industry. Exploration, development and production of crude oil reserves tend to slow down when prices fall to a level where such activities are not commercially viable for the oil and gas operators. Hence, prolonged periods of lower oil prices may discourage various exploration, development and production activities which will in turn result in lower demand for products and services provided by the oil and gas support companies.

On the other hand, during the periods of higher oil prices, it is expected that there may be an increase in oil exploration, development and production activities as the potential return from the upstream activity increases. Hence, in this case, the level of activities in the industry may increase which can lead to higher demand for products and services offered by the energy and utilities business.

(ii) There may be delays in completion of contracts that are beyond our control

The completion of a contract on time is dependent on many external factors which may be beyond the control of the entities within the energy and utilities business. These factors include obtaining approvals from various regulatory authorities as scheduled, sourcing and securing quality construction materials in adequate amounts, satisfactory performance of contractors and favourable working weather conditions for fabrication works. Any delay caused by any of these factors may have a direct impact on our performance.

(iii) There may be cost overruns requiring provisions for contract losses which may adversely affect us

The Energy and Utilities division is involved in various engineering, fabrication and construction contracts. Any change in the cost structure, delay in completion of a contract or cost overruns could result in contract losses and potential provision for such foreseeable losses in the financial statements. In particular, there has been significant cost overruns in relation to the contract for the main civil works for the Bakun Hydroelectric Project awarded to an unincorporated joint venture involving Sime Engineering Sdn Bhd in respect of which the joint venture has submitted an appeal for reimbursement. This appeal, if approved is likely to require our Group to furnish a corporate guarantee to secure any sums paid to the joint venture. As such, there is no assurance that the performance of this division will not be adversely affected by such factors that may arise in future.

(iv) There are significant risks involved in our potential participation in other utility projects

In the event that we receive the requisite approvals from Government for our participation in the Bakun Hydroelectric Project (**"BHP"**) as set out in Section 7.3, we will be subject to the associated risks which amongst others, would include the following:

- We would be further exposed to the inherent construction and completion risks associated with projects of such magnitude and complexity in terms of technical design and implementation in particular any delay in completion and cost overruns;
- Any participation in the BHP will require substantial capital investment and an increase in the gearing of our Group; and
- The offtakers of the power generated from the BHP not entering into power purchase agreements on terms that are acceptable to us.

5.3 Other Risk Factors

(i) We are subject to political, economic, market and regulatory considerations

Our Group will be subject to risks inherent in the plantations, property, motor, heavy equipment, and energy and utilities industries. These include changes in general economic conditions, changes in government regulations and policies, and changes to the political environment of Malaysia and other countries where our Group operates and where our products are exported to. In particular, the relevant business segments are directly affected by the following:

(a) the plantation segment will be sensitive to changes in labour laws and availability of foreign labour, interest rates, foreign exchange rates, taxation, tariffs and duties. The bilateral relationships between the major trading partners of Malaysia in relation to CPO, such as China, the EU, India and the USA also play an important factor in demand as these countries represent the major buyers of palm oil products;

(b) the property development segment will be sensitive to, amongst others, inflation, interest rate movements, consumer spending confidence, regulation and taxation changes, such as the exemption from RPGT; and

(c) the motor, heavy equipment and energy and utilities businesses will be sensitive to, amongst others, the specific regulations that govern the respective and related industries, foreign exchange rates and the performance of the respective industries that use our products and services which, to a certain extent, will be affected by the overall economic condition in the respective countries in which we operate.

Although we will seek to limit these risks by, amongst others, expanding our market and customer base, continuously improving efficiency and developing new products and research expertise, no assurance can be given that any changes to these factors will not have a material adverse effect on our performance.

(ii) Our performance is affected by changes in foreign exchange currency rates

As the selling prices of CPO and PK are derived from the global commodity price and quoted in USD, foreign exchange rate fluctuations pose a risk to our Group's earnings. The Motor, Heavy Equipment, and Energy and Utilities divisions are similarly exposed to foreign exchange rate fluctuations given that a majority of our operations are outside Malaysia and/or our purchases or sales are in foreign currencies. In addition, upon completion of the Merger, our Group has foreign currency-denominated assets and liabilities.

There can be no assurance that future exchange rate fluctuations will not adversely affect our performance.

(iii) We rely on the continued employment and performance of our key personnel

Our performance depends to a significant extent on the ability and dedication of the existing senior management. The loss of any key member of the Participating Companies may adversely affect our Group's ability to compete effectively. We face the risk that the Merger may be negatively received by the Participating Companies' employees which may result in an adverse effect on our performance. Our performance will also depend upon our ability to attract and retain skilled personnel.

We recognise the importance of managing employee sensitivities during the early stages of the Merger and have appointed a team of merger integration consultants to identify measures to retain the employees and key personnel of the Participating Companies.

6. INDUSTRY OVERVIEW

6.1 Palm Oil Industry

As we will have plantations business in Malaysia and Indonesia, the review below covers the palm oil industry in Malaysia and Indonesia.

6.1.1 Overview of the Malaysian palm oil industry

Performance for the year 2006:

The Malaysian oil palm industry recorded an impressive performance in 2006. Export earnings of oil palm products rose to a record RM31.8 billion, while palm oil stocks declined and prices firmed up sharply especially during the last quarter of the year. The industry also saw exciting developments shaping up in the local biofuel industry with the Honourable Prime Minister of Malaysia launching the Envo Diesel (palm olein blend with diesel) and the first integrated palm oil biodiesel plant using MPOB technology in March and August 2006 respectively.

The production of CPO increased further by 6.1% to 15.9 million tonnes in 2006 from 15.0 million tonnes the previous year. The increase was mainly attributed to the expansion in matured areas by 2.0% and rise in the average FFB yield per Ha by 3.8% to 19.6 tonnes due to better management and agricultural inputs. The oil yield per Ha saw a 3.4% year-on-year increase to 3.9 tonnes, despite the OER declining marginally by 0.5% to 20.04%. CPKO production rose by 6.1% to 1.96 million tonnes in tandem with a 4.1% growth in PK production.

The total exports of oil palm products, constituting of palm oil, PKO, PK cake, oleochemicals and finished products increased by 8.1% or 1.51 million tonnes to 20.13 million tonnes in 2006 from 18.62 million tonnes recorded in 2005. The total export earnings also increased by 11.2% or RM3.23 billion to RM31.81 billion compared to RM28.60 billion in 2005. All the oil palm products registered export volume increases in 2006 compared to the previous year, led by oleochemicals with an increase of 17.7%, followed by PKO, finished products, palm oil and PK cake. The higher export demand for oleochemical products in 2006 was boosted by the lower price oleochemical-based products vis-à-vis petroleum-based products. Increased exports of CPO by 46.7% to 2.36 million tonnes also helped increase exports of palm oil, whilst the lower PKO prices as a consequence of lower lauric oil prices helped boost export demand for the product.

Exports of palm oil increased by 7.1% to 14.40 million tonnes compared to 13.45 million tonnes in 2005. China maintained its position as the biggest export market for Malaysian palm oil for the fifth consecutive year with offtakes totalling 3.58 million tonnes or 24.9% of total palm oil exports, followed by the EU 2.58 million tonnes (17.9%), Pakistan 0.96 million tonnes (6.7%), USA 0.68 million tonnes (4.8%), India 0.56 million tonnes (3.9%), Japan 0.52 million tonnes (3.6%) and Bangladesh 0.44 million tonnes (3.1%). Together they accounted for 9.32 million tonnes or 64.7% of total Malaysian palm oil exports in 2006. The increase in palm oil exports was mainly to China which registered an increase of 0.62 million tonnes or 21.0%, followed by the EU (+0.31 million tonnes or 13.5%), Vietnam (+0.13 million tonnes or 88.4%), USA (+0.13 million tonnes or 22.4%) and Jordan (+0.10 million tonnes or 204.4%).

The abolishment of the Tariff Rate Quota effective 1 January 2006 for vegetable oils coupled with the price competitiveness of palm oil against soyabean oil had a very significant impact on Malaysian palm oil exports into China. Higher demand for palm oil in the EU came from both the edible and non-edible sectors. The lower import duty on processed palm oil in line with Asean Free Trade Area ("**AFTA**") Commitment was the contributing factor for increased exports to Vietnam. The higher import volume to the USA was driven by the new trans-fat labelling law which came into effect on 1 January 2006, while exports to Jordan increased mainly due to re-exports to the Iraqi market.

Exports of PKO increased by 9.7% from 0.85 million tonnes in 2005 to 0.93 million tonnes in 2006. The USA was the major market for PKO in 2006 with 0.23 million tonnes, followed by EU (0.13 million tonnes), China (0.09 million tonnes) and Japan (0.06 million tonnes).

Exports of PK cake increased by 4.5% to 2.12 million tonnes from 2.03 million tonnes in 2005. The major PK cake markets were the EU (1.55 million tonnes or 72.8% of total PK cake exports), South Korea (0.25 million tonnes or 11.7% of total PK cake exports) and New Zealand (0.17 million tonnes or 7.8% of total PK cake exports).

The major markets for oleochemicals were the EU, China, USA and Japan. The major oleochemical products exported are fatty acids, followed by soap noodles and fatty alcohol.

Exports of finished products increased by 7.4% to 420,319 tonnes from 391,389 tonnes in 2005. The major markets for palm oil finished products in 2006 were Kuwait, Pakistan, Saudi Arabia, UAE and Russia. The major products exported under this group was shortening.

Palm oil stocks closed at 1.51 million tonnes, a drop of 0.1 million tonnes or 6.1% compared to the previous year's closing level of 1.6 million tonnes. The main factor for the decline was the sharp fall in CPO production by 26.3% or 407,605 tonnes in December against the previous month because of the massive floods that disrupted harvesting in some of the major oil palm growing areas. However, PKO closing stocks rose by 54.6% to 0.36 million tonnes due to larger availability of supplies.

The average prices of oil palm products in the domestic market recovered in 2006. Positive market sentiments arising from the anticipated demand from the biodiesel industry coupled with higher soyabean oil prices were the contributing factors for the upward trend in palm oil prices. In addition, the rise in world crude oil prices also spurred local palm oil market sentiments.

The average CPO price increased by 8.4% or RM116.50 to RM1,510.50 in 2006 against RM1,394.00 the previous year. Prices which traded in a narrow range during the first 9 months of 2006 subsequently traded higher during the last quarter of the year. The lowest and highest monthly average price recorded was in June and December at RM1,397.00 and RM1,865.00 respectively. In line with the firmness of local CPO prices, the average export price for processed palm oil products also increased, namely, Refined, Bleached & Deodorised (**"RBD"**) palm oil by RM80.00 or 5.5% to RM1,534.00; RBD palm olein by RM124.50 or 8.3% to RM1,621.50; and RBD palm stearin by RM198.00 or 15.3% to RM1,496.00.

The average price of PK in 2006 declined by 12.3% or RM125.00 to RM892.00 from RM1,017.00 the previous year. Prices softened during the year due to the strong growth in production, higher stock levels and lower CPKO prices in the domestic market. The average price of CPKO declined in 2006 owing to increasing domestic supplies and lower lauric oil prices in the world market as a consequence of a recovery in world coconut oil production. The average price fell 12.6% or RM275.50 to RM1,907.50 in 2006 from RM2,183.00 the previous year. In the case of FFB, the average price at 1% OER rose in tandem with the higher CPO price by 5.8% to RM15.40 from RM14.55 the previous year.

(Source: MPOB website at www.mpob.gov.my)

Performance of 1st half of 2007:

CPO production decreased by 8.0% during the first 6 months of 2007 (January-June 2006: 1.3%) due to lower FFB yields on account of "tree stress" peak production in late 2006 and lower output from flood-affected areas in early 2007. FFB yields declined 9.7% to 8.2 tonnes per Ha (January-June 2006: 0.7%, 9.1 tonnes per Ha) in the first 6 months of 2007. However, the OER for the same period improved to 20%.

The average CPO price for the first 7 months of 2007 registered an increase of 60.4% to RM2,266 per tonne as against RM1,413 per tonne in the corresponding period of 2006. The local delivered CPO price soared to an all-time high of RM2,886 per tonne in June 2007. The surge in the price of CPO was largely due to tight supply and increasing global demand for edible oils and biodiesel as well as increased prices of substitutes, particularly soya bean and rapeseed oils.

(Source: Economic Report 2007/2008)

6.1.2 Palm oil industry growth in Malaysia and Indonesia

(a) Malaysia

The growth of the palm oil industry in Malaysia for the past 3 years from 2004 to 2006 is set out below in the following tables:

Total oil palm plantation area in Malaysia

	2004	**2005**	**2006**
Plantation Area (000 Ha)			
Mature	3,451	3,631	3,703
Immature	424	420	462
Total planted	3,875	4,051	4,165

Yield of FFB in Malaysia

	2004	**2005**	**2006**
Yield (MT/Ha)			
FFB	18.60	18.88	19.60

Production of CPO and PK in Malaysia

	2004	**2005**	**2006**
Production (000 MT)			
CPO	13,976	14,962	15,881
PK	3,661	3,964	4,125

Extraction rate of palm oil in Malaysia

	2004	**2005**	**2006**
OER (%)	20.03	20.15	20.04
KER (%)	5.25	5.34	5.20

(Sources: Malaysian Oil Palm Statistics 2006 (26th Edition) and MPOB website at www.mpob.gov.my)

A summary of the distribution of oil palm plantation areas in Malaysia over the past 3 years from 2004 to 2006 is set out below:

	Distribution of oil palm plantation area in Malaysia (As a % of total planted area in Malaysia)		
	2004	**2005**	**2006**
Peninsular Malaysia	57%	57%	56%
Sabah	30%	30%	30%
Sarawak	13%	13%	14%
Total	**100%**	**100%**	**100%**

(Source: Malaysian Oil Palm Statistics 2006 (26th Edition))

(b) Indonesia

The palm oil industry in Indonesia is driven by the rising global demand for vegetable oils for food and other industrial applications. The palm oil industry in Indonesia grew significantly during the 1990s, becoming a major influential factor not only in the Indonesian economy but also in the global oils and fats market.

Oil palm is grown in 17 provinces in Indonesia, directly employing approximately 2 million workers and farmers. In 2006, Indonesia's CPO production was estimated at 14.7 million tonnes (valued at USD6.1 billion), an 8% increase over the 13.6 million tonnes produced in 2005.

In recent years, palm oil production in Indonesia has increased rapidly, partly driven by increases in planted area, but more by improvements in oil yield per hectare. However, the average annual CPO yield in Indonesia is still currently only 2.86 tonnes per Ha. This is mainly due to the relatively larger area of younger and immature planted area in Indonesia. As this area matures, oil yield is expected to increase, and this will be a significant driver for increased production going forward.

The total planted area of oil palm has been steadily growing in Indonesia. Starting from around 600,000 Ha in 1985, the total area reached around 2.8 million Ha in 1998 and over 5.5 million Ha in 2006. Mature plantations accounted for more than 80% of the total planted area. The development of the oil palm sector in Indonesia is mainly export-driven, with key export markets being India, the Netherlands, China, Pakistan, Bangladesh, UK and Malaysia. In 2005, total export of palm oil was estimated to be over 10 million tonnes. In 2006, exports increased by 9.3% reaching 11.3 million tonnes and valued at USD4.7 billion. This includes CPO and processed products such as RBD palm oil, RBD palm olein and RBD stearin. Demand from Indonesia's rising oleochemical and soap industries have also been on the rise recently. There has been an increase in long term agreements and joint ventures between multi-national specialty chemical companies and Indonesia's plantation companies. The main driver for this market trend has been the shift to vegetable-based raw materials within the oleochemical industry, with total domestic demand in 2005 and 2006 over 3.5 million tonnes and 3.7 million tonnes respectively. CPO consumption is also expected to be driven by demand from the biodiesel industry.

(Source: Industry Overview Report for Oil Palm Upstream Market in Indonesia, Frost & Sullivan 2007)

6.1.3 Growth prospects

(a) Malaysia

Production of CPO in 2007 is projected to record lower output of 15.7 million tonnes (2006:15.9 million tonnes). Output of palm oil is expected to increase by 2.0% following improved yields and expansion in matured areas. In addition, measures taken to achieve vision 35:25, a target of 35 tonnes per hectare of FFB and 25.0% OER through the wide use of high quality seedlings and latest technology as well as knowledge-based production systems will result in higher output of palm oil. The new matured areas coming onstream, better estate management and higher quality agricultural inputs are expected to partially offset the negative impact of unfavourable weather. Higher oil palm prices are expected to encourage better efficiency in oil palm harvesting.

The global stock of palm oil is expected to decrease in 2007 due to lower supply and increased demand from major markets in particular China, coupled with higher demand from the biodiesel industry.

(Source: Economic Report 2007/2008)

It is forecasted that there will be stronger than expected demand for edible oils from India and China in 2007, which has not been accounted for by major oil palm producers.

On 23 July 2007, the Indian government announced further reductions on import duties for all vegetable oils. With this exercise, the import duties on crude and refined palm oil came down to 46.35% and 54.08% respectively. The reduction was anticipated in view of the global supply of palm oil is expected to decline by between 2.5 to 3.0 million MT. This is positive for palm oil as it enhances palm oil's competitiveness against soybean oil in India.

(Source: Malaysian Palm Oil Council website at www.mpoc.org.my)

Malaysia remains the leading palm oil producer and exporter, and efforts were taken to enhance value added activities in the industry. In this regard, the Biofuel Bill was passed in 2007 to kick-start the biodiesel industry. In addition, a RM500 million Biodiesel Fund was established to promote the production and use of biodiesel. As of 28 March 2007, approval was granted to 9 companies and the projects are currently at various stages of implementation.

(Source: Economic Report 2007/2008)

Projection of higher world demand for vegetable oil and fats and palm-based biofuel industry as well as tight supply are expected to push CPO prices to higher levels.

In addition, Indonesia, the world's second largest producer of CPO after Malaysia, restricted exports of CPO by imposing higher export duty to meet local demand of cooking oil. India, one of the world's largest edible oil importers, slashed import duties on crude and refined palm oil as part of the efforts to contain rising inflation. In the USA, more food producers and fast-food chains are switching to trans-fatty acid-free oil such as palm oil. Following the ban by New York City on the use of trans-fatty acids in eateries effective 1 July 2007, other cities in the USA are expected to take similar action. These developments will have positive impact on the price of CPO which is estimated to remain high at RM2,400 per tonne in 2007 (2006: RM1,503 per tonne).

(Source: Economic Report 2007/2008)

(b) Indonesia

Palm oil production is rising in Indonesia at a rate of 5% to 8% per annum. Frost & Sullivan estimates that CPO production in Indonesia will exceed 19 million tonnes per annum by 2010. There are 11 million Ha of palm oil plantations worldwide. Of these, 5 million Ha are found in Indonesia and 4 million Ha in Malaysia alone. Future plans for palm oil plantations in Indonesia include planted areas of up to 20 million Ha. Indonesia is ideal for palm oil cultivation in terms of soil and climate conditions, with the added advantage of competitive labour costs in the country. All these factors have contributed to the excellent growth of the industry during the past 3 decades. The future prospect of the industry is highly promising, with demand driven by the food and industrial sectors in Indonesia, as well as growing demand for CPO products worldwide. The growth in the industry is also expected to be further accelerated by demand from the emerging biodiesel industry.

(Source: Industry Overview Report for Oil Palm Upstream Market in Indonesia, Frost & Sullivan 2007)

6.1.4 Industry players and competition

At the global level, the major palm oil producers and their respective CPO production output (in MT '000) over the past three 3 years are presented in the following table:

Year	Malaysia	Indonesia	Others	Total
2004	13,976	12,350	4,583	30,909
2005	14,962	14,070	4,700	33,732
2006	15,881	15,900	4,952	36,733

(Source: Malaysian Oil Palm Statistics 2006 (26th Edition))

As increasingly more oil palm estates are developed, lands for new developments are increasingly more difficult to procure, resulting in higher land prices and increases in the cost of development of land. The availability of labour is another concern in the Malaysian palm oil industry. Both these factors have caused an increase in the production cost per tonne of palm oil.

(a) Malaysia

At a domestic level, we compete against the major oil palm plantation industry players by planted area as presented below:

No.	Name	Planted area (Ha)
1.	FELDA	690,054[(1)]
2.	Synergy Drive	520,067[(2)]
3.	IOI Corporation Berhad	144,055[(3)]
4.	Kuala Lumpur Kepong Berhad	123,462[(3)]

Sources:

(1) FELDA website at www.felda.net.my.

(2) Respective annual reports 2006 of GHope Group, KGB Group and Sime Darby Group.

(3) Respective annual reports 2006.

In addition, palm oil faces competition from other edible oils, in particular, soya bean oil, rapeseed oil and sunflower oil. Currently, the production costs per tonne for these substitutes are comparatively much higher than that of palm oil although the former may be reduced in line with advances in research including genetic modification technologies. Amongst all the oil bearing plants, the oil palm provides the highest yield and at a lower cost of production. However, whilst other countries are more likely to subsidise their oil seed crops, palm oil is heavily taxed in Malaysia. Nonetheless, the palm oil industry is expected to continue to remain competitive.

(b) Indonesia

Up until March 2006, Indonesia had nearly 300 oil palm plantations spread over some 16 provinces. About 240 of these are located in the northern parts of Sumatra and nearly 40 in Kalimantan.

The larger plantations normally incorporate their own CPO milling facilities, while the smaller plantations sell the palm oil bunches to neighbouring plantations or millers. There are a number of large players in the CPO business, who collectively command more than 50% of planted areas in Indonesia, namely PT Smart, Raja Garuda Mas, Astra Agro Lestari, Minamas Plantation, Indofood Agri Resources, Agro Indomas, PP London Sumatra, Pacific Rim Palm Oil Pty Ltd, PT Bakrie, SIPEF Group, Socfin Group, Wilmar International Limited, Musim Mas, Asian Agri, and Perkebunan Nusantara. The Perkebunan Nusantara plantation is a government plantation arm constituting the largest majority of planted palm oil area, with an estimated 600,000 Ha. The next largest planted areas of approximately 320,000 Ha and 280,000 Ha are owned by Raja Garuda Mas and PT Smart respectively.

(Source: Industry Overview Report for Oil Palm Upstream Market in Indonesia, Frost & Sullivan 2007)

6.1.5 Relevant laws and regulations

(a) Malaysia

Malaysia is a major global producer of palm oil. The palm oil industry has contributed significantly to the Malaysian economy over the years. To ensure the industry remains competitive and efficient, the Government has taken various measures to support the palm oil industry.

MPOB is the premier government agency entrusted to serve the country's oil palm industry. Its main role is to promote and develop national objectives, policies and priorities for the well-being of the Malaysian oil palm industry.

MPOB was incorporated by an Act of Parliament (Act 582) and established on 1 May 2000, taking over, through a merger, the functions of the Palm Oil Research Institute of Malaysia and the Palm Oil Registration and Licensing Authority. Each of these respective organisations has been involved in the oil palm industry for more than 20 years and it is to render more effective services as well as to give greater national and international focus to the industry that MPOB was instituted.

(Source: MPOB website at www.mpob.gov.my)

(b) Indonesia

In February 2007, the Minister of Agriculture of Indonesia issued the Licensing Guidelines for the plantation business. This regulation revoked an earlier regulation issued by the same ministry in 2002. The revised regulation relaxed previous restrictions on land ownership and it currently allows each plantation company to own 100,000 Ha of land for oil palm cultivation, subject to the company holding the requisite plantation business license. This new regulation also imposes an additional condition whereby each plantation company has to develop 20% of its total land area for community development. Further, BKPM can impose equity conditions on foreign investment companies.

The Government of Indonesia introduced a regulation in September 2005 where export tax was defined as export collection which is categorised as non tax revenue. According to this new regulation, the export collection tariff for CPO is 1.5%, while for RBD palm oil and RBD palm olein, around 0.3%. The Government of Indonesia has not introduced subsidies for the palm oil industry. There are regulations on palm oil cultivation which restricts large scale conversion of forests into plantations.

(Source for the preceding paragraph: Industry Overview Report for Oil Palm Upstream Market in Indonesia, Frost & Sullivan 2007)

6.2 Property Industry

As a result of the concentration of the operations of the Property division in Malaysia, the industry review below is focused on the property market in Malaysia.

6.2.1 Overview of the property industry in Malaysia

Activity in the residential segment grew at a moderate pace (in 2006) as demand eased following the strong performance in previous years. This was reflected in the moderation in loan applications during the year. Housing developers also responded to changing market conditions by reducing launches of new properties and adapting to the changing requirements of consumers. Despite these efforts, the overhang of residential properties increased to 28,827 units by end-September 2006. In line with the overall market conditions, the Malaysia House Price Index rose at a more moderate pace of 2% in the first half of 2006. Despite the overall cautious attitude of the consumers, demand for residential properties near the city area remained strong.

During the year (2006), the Government undertook a number of important measures to facilitate the growth of the residential segment. The Strata Title Act and related bills were amended in December 2006, to enable a faster and more transparent approval process for strata titles, as well as to provide clearer oversight of property managers on the management of funds collected and disbursed. Amendments were also made to the Housing Development Act, whereby the Certificate of Fitness for Occupation, previously given by the local authorities, will be replaced with the Certificate of Completion and Compliance ("**CCC**"). The CCC will be issued by private architects and engineers, thus facilitating early occupation of buildings. The Government also liberalised rulings on foreign ownership of residential properties. Foreigners no longer need to obtain prior approval from the FIC to purchase houses above RM250,000. Through these initiatives, property transactions are expected to increase.

(Source: BNM Annual Report 2006)

The market recorded 269,000 transactions worth RM58.58 billion in the year 2006. The transactions volume registered 2.5% reduction from the year 2005 (276,508). On the other hand, the transactions values rose by 4.9% against 2005 (RM56.78 billion). Notwithstanding this, the rate of decrease in the transaction volume was lower than negative 5.7% recorded in 2005 whereas the value improved from negative 5.3% in 2005 to positive 4.9% in 2006.

The residential property sub-sector continued as the market driver contributing 65.4% and 48.2% to the volume and value of transactions respectively. The year 2006 recorded 176,277 transactions worth RM28.70 billion against 181,762 transactions worth RM28.41 billion recorded last year. This accounted for 3.0% decrease of the volume whilst the value increased marginally by 1.0%.

(Source: Property Market Report 2006 issued by JPPH)

During the Ninth Malaysia Plan ("**9MP**") period, requirement for new houses is expected to be about 709,400 units, of which 19.2% will be in Selangor followed by Johor at 12.9%, Sarawak 9.4% and Perak 8.2%. Of the total requirement, 92.8% will be for new houses while 7.2% for replacement. The private sector is expected to supply 72.1% of the total requirement. In terms of the housing category, 38.2% will be a combination of low- and low-medium-cost houses as well as houses for the poor while 61.8% in the category of medium- and high-cost houses.

(Source: 9MP 2006-2010 available at www.bnm.gov.my)

The volume of property transactions increased 3.0% to reach 135,189 transactions in the first half of 2007 (January-June 2006: -4.1%; 131,313 transactions). However, value of transactions increased 12.4% to RM32.3 billion (January-June 2006: 0.9%; RM28.8 billion) reflecting the general improvement in buying sentiment of the property sector, in particular, the high-end residential segment. Residential transactions accounted for 63.6% of the total transactions during the period, followed by agricultural, commercial, development and industrial.

With stable interest rate and lower inflation, purchasing sentiment picked up in second quarter of 2007 as reflected by the take-up rate of newly launched residential units which improved to 30.8% (April-June 2006: 11.0%). The high-end property market (more than RM250,000) performed better, as seen in the newly launched detached houses and high-end condominium segments which registered higher take-up rates of 57.1% and 42.8% respectively (April-June 2006: 3.6%; 33.6%). Government proactive measures such as the exemption of RPGT, the removal of the limitation on the number of loans given to non-residents and the lifting of FIC approval on foreign ownership of residential properties above RM250,000 are expected to support the sub-sector.

On the supply side, developers' optimism was boosted by the establishment of the one-stop-centre to expedite approvals for development of housing projects and incentives offered to developers who undertake the build-then-sell concept. In tandem with these developments, new sales and advertising permits for construction of residential units and shophouses as well as renewals of such permits increased to 490 and 874 (January-June 2006: 488 permits; 790 permits) respectively. Loans by the banking system for residential property also rose by 7.4% to RM167,549 million (end-June 2006: RM156,044 million). Reflecting the improvement in demand and consumer sentiment, the Malaysian All House Price Index trended upwards by 3.6% during the first half of 2007 (January-June 2006: 1.9%), with higher-than-average prices recorded in Klang Valley and Penang.

(Source: Economic Report 2007/2008)