4. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE

4.1 Opening and Closing of Applications

Applications will be accepted from 10.00 a.m. on 28 March 2002 and will close at 8.00 p.m. on 10 April 2002 or such other date or dates as the Directors of NPC and the Offerors in their absolute discretion may decide.

4.2 Indicative Timetable

The indicative timing of events leading up to the Listing is set out below:-

Event	**Date**
Opening of Applications for the Issue Shares and Offer Shares	28 March 2002
Closing of Applications for the Issue Shares and Offer Shares	8.00 p.m., 10 April 2002*
	Tentative Date
Balloting date for applications for the Issue Shares	April 2002
Allotment of the Issue Shares and Offer Shares to successful applicants	April 2002
Listing date	May 2002

Note:-

* *The application for the Public Issue will close at the time and date as stated above or such further date or dates as the Directors of NPC and the Offerors, in their absolute discretion, may mutually decide.*

4.3 Share Capital

	RM
Authorised	
500,000,000 ordinary shares of RM1.00 each	500,000,000
Issued and fully paid-up as at the date of this Prospectus	
72,000,000 ordinary shares of RM1.00 each	72,000,000
To be issued pursuant to the Public Issue	
8,000,000 ordinary shares of RM1.00 each	8,000,000
	80,000,000
To be offered pursuant to the Offer for Sale	
24,600,000 ordinary shares of RM1.00 each	24,600,000

The price of RM1.30 for each Issue/Offer Share is payable in full on application.

There is only one class of shares in NPC, being ordinary shares of RM1.00 each. The Issue/Offer Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares of RM1.00 each in NPC including voting rights, dividends and distributions that may be declared subsequent to the date of allotment and issuance of the Issue/Offer shares.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of NPC, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

4.4 Details of the Public Issue and Offer for Sale

The Public Issue and Offer for Sale are subject to the terms and conditions of this Prospectus and upon acceptance, the Issue/Offer Shares will be allocated in the following manner:-

(i) Approved Bumiputera Investors

20,600,000 of the Offer Shares have been reserved for Bumiputera investors approved by MITI.

(ii) Private Placement

5,000,000 of the Issue Shares and 4,000,000 of the Offer Shares have been reserved for private placement to identified investors.

(iii) Eligible Directors and Employees of the NPC Group

1,000,000 of the Issue Shares have been reserved for eligible Directors and employees of the NPC Group. Any Issue Shares not allocated to eligible Directors and employees will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

(iv) Malaysian Public

2,000,000 of the Issue Shares will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Issue Shares and the Offer Shares in respect of Sections 4.4(i) and (ii) above need not be and will not be underwritten. The Issue Shares in respect of Sections 4.4(iii) and (iv) ("Underwritten Shares") above have been fully underwritten by the Underwriter. Details on the brokerage, underwriting commission and placement fee relating to the Public Issue and Offer Shares are set out in Section 4.9 of this Prospectus.

Any Issue Shares in respect of Section 4.4(iii) above not taken up by eligible Directors and employees of the NPC Group will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

4.5 Details of Allocation to Eligible Directors and Employees

Each of the Directors is allocated 20,000 shares each whilst the criteria of allocation of the Issue Shares to eligible employees of NPC Group are as follows:-

Category	Years of service	No. of shares reserved for each employee
Managers	Less than 3	12,000
	3 to 5	14,000
	5 to 8	16,000
	Above 8	18,000
Executives and Assistant Managers	Less than 3	8,000
	3 to 5	9,000
	5 to 8	10,000
	Above 8	11,000
Technical and Supervisors	Less than 3	5,000
	3 to 5	6,000
	5 to 8	7,000
	Above 8	8,000
Clerical	Less than 3	5,000
	3 to 5	6,000
	5 to 8	7,000
	Above 8	8,000
General Workers	Less than 5	1,000
	Above 5	2,000

4.6 Purposes of the Public Issue and Offer for Sale

The purposes of the Public Issue and Offer for Sale are as follows:-

(i) To provide the Company access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the NPC Group;

(ii) To provide an opportunity for Bumiputera investors, identified investors, eligible Directors and employees of the NPC Group and the Malaysian public to participate in the equity and the continuing growth of the Group;

(iii) To enable NPC to enhance Bumiputera equity participation in NPC so as to comply with the aspirations of the National Vision Policy; and

(iv) To obtain listing of and quotation for the entire issued and paid-up ordinary shares of NPC on the Main Board of KLSE.

4.7 Pricing of the Issue/Offer Shares

The issue/offer price of RM1.30 per ordinary share was determined and agreed upon by the Company and CIMB as Adviser and Underwriter based on various factors, including but not limited to the following:-

(i) The Group's qualitative and quantitative factors as set out in Section 8 of this Prospectus;

(ii) The industry the Group operates in, and the future plans, strategies and prospects of the Group as described in Sections 6 and 7 respectively of this Prospectus;

(iii) The Group's consolidated profit estimate and forecast for the financial year ended 31 December 2001 and the financial year ending 31 December 2002 respectively as set out in Section 12 of this Prospectus;

(iv) The forecast net dividend yield for the financial year ending 31 December 2002 as set out in Section 14 of this Prospectus; and

(v) The Group's proforma NTA per share as at 30 September 2001 as set out in Section 15 of this Prospectus.

However, investors should also note that the market price of NPC's shares upon the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of NPC's shares being traded. Investors should form their own views on the valuation of the Issue/Offer Shares before deciding to invest in the Issue/Offer Shares.

4.8 Utilisation of Proceeds

The gross proceeds arising from the Public Issue amounting to RM10.400 million will be utilised in the following manner:-

	Note	RM'000
Repayment of bank borrowing	1	6,800
Working capital		1,600
Estimated listing expenses	2	2,000
		10,400

The proforma impact of the utilisation of proceeds on the consolidated balance sheets of NPC as at 30 September 2001 is reflected in Section 15 of this Prospectus. The minimum subscription to be raised from the Public Issue is RM10,400,000.

Notes:-

1. *Details of the repayment of bank borrowing are as follows:-*

Type	***Financial institution***	***Purpose***	***Date drawndown***	***Interest %***	***Estimated amount outstanding as at 30 April 2002 RM'000***
Term loan	*RHB Bank Berhad*	*To finance the construction of SROPP's palm oil mill*	*Progressively from 04.07.96 to 20.04.98*	*2.00% + Base Lending Rate*	*6,800*

In the event the amount of bank borrowing outstanding at the redemption date is less/more than that stated above (due to the continued repayment of the borrowing according to the repayment schedule), the excess/shortfall in proceeds will be utilised for/funded from working capital. The term loan identified above is expected to be repaid within three (3) months from the date of Listing.

2. *The estimated expenses and fees, including brokerage, underwriting commission and placement fee relating to the Issue Shares, incidental to the Listing amounting to approximately RM2.0 million will be borne by the Company and is expected to be utilised within three (3) months from the date of Listing.*

   Of the RM2.0 million estimated listing expenses, approximately RM1.00 million is provided for fees for professional services rendered by advisers and experts.

The total gross proceeds of approximately RM31.980 million arising from the Offer for Sale shall accrue entirely to the Offerors and no part of the proceeds of the Offer is receivable by NPC. All expenses, including brokerage and placement fees relating to the Offer Shares, shall be borne by the Offerors.

4.9 Brokerage and Underwriting Commission

Brokerage relating to the Issue Shares will be borne by the Company at the rate of one per centum (1.0%) of the issue/offer price of RM1.30 per share in respect of successful applications bearing the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

Brokerage with respect to the Offer Shares is payable at the rate of one per centum (1.00%) of the offer price of RM1.30 on the Offer Shares by the Offerors.

A conditional underwriting agreement was entered into between the Company and CIMB on 28 February 2002 ("Underwriting Agreement") to underwrite 3,000,000 of the Issue Shares which are available for application by the Malaysian Public and eligible Directors and employees of the NPC Group. The underwriting commission is payable by the company at the rate of two point five per centum (2.50%) of the issue price of RM1.30 for each Issue Share being underwritten.

4.10 Salient Terms of the Underwriting Agreement

The Underwriting Agreement stipulates that CIMB may by notice in writing to the Company given at any time before the last date on which the Public Issue will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions ("Closing Date"), terminate and withdraw its underwriting commitment if in its reasonable opinion, there shall have occurred, happened or come into effect any of the following circumstances:-

(1) The obligations of the Underwriter under the Underwriting Agreement are conditional upon:-

   (i) there having been on or prior to the Closing Date, neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the Group, taken as a whole, which is material in the context of the Listing from that set forth in the Prospectus in the form lodged for registration with the SC, nor the occurrence of any event which makes any of the representations and warranties in the opinion of the Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings;

(ii) the delivery to the Underwriter prior to the date of the registration of the Prospectus with the SC a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Listing and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus;

(iii) the delivery to the Underwriter on the Closing Date of such reports and confirmations from the Board of Directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Group;

(iv) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses;

(v) the Issue Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

(vi) the Underwriter having been satisfied that the Company has complied and that the Issue Shares is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;

(vii) the SC having approved the Prospectus and KLSE having agreed in principle on or prior to the Closing Date to the Listing on terms satisfactory to the Underwriter and the Underwriter being reasonable satisfied that such Listing will be granted three (3) market days (or such period as the KLSE may permit) after KLSE has received all the necessary supporting documents and receipt of confirmation from the Malaysian Central Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;

(viii) the registration with the SC and the lodgement with the Registrar of Companies, of the Prospectus and such other documents as may be required in accordance with the SC Act 1993 and the issue by the SC of the relevant certificate of registration;

(ix) a certificate dated the date of the Prospectus signed by duly authorised officer of the Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence;

(x) all agreements in relation to the placement shares in a form acceptable to the Underwriter have been duly executed before the issuance of the Prospectus and all monies due from the identified investors shall be payable to the Placement Agent before the Closing Date;

(xi) all the approvals from FIC have been obtained; and

(xii) the public shareholdings spread is met.

(2) If any of the conditions set out in Clause 1 above is not satisfied by the Closing Date, the Underwriter shall thereupon be entitled to terminate the Underwriting Agreement and in that event except for the liability of the Company for the payment of costs and expenses incurred prior to or in connection with such termination there shall be no further claims by the Underwriter against the Company, and the Company and the underwriters shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its discretion with respect only to its own obligations waive compliance with any of the provisions of Clause 1.

(3) Notwithstanding anything herein contained, the Underwriter may at any time before the Closing Date by notice in writing delivered to the Company to terminate its obligations under the Underwriting Agreement if in the opinion of the Underwriter there shall have been:-

(i) a change in the national or international monetary, financial, political or economic conditions or a material change in the stock market condition or exchange control or currency exchange rates as would in its reasonable opinion prejudice materially the success of the issuance of the Issue Shares and the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or

(ii) any breach of the representations, warranties and undertakings or breach of any of the terms and conditions of the Underwriting Agreement by the Company or withholding of information of a material nature from the Underwriter; or

(iii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lock-outs, fire, explosions, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms pursuant to the underwriting hereof;

And thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in the Underwriting Agreement incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

(4) In the event that a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus, the Underwriter may at any time before the allotment of the Issue Shares, terminate its obligations under the Underwriting Agreement if in its reasonable opinion, there shall have been events which have occurred detailed in Clauses 3(i) to 3(iii) above.

(5) In the event of termination pursuant to Clauses 3 and 4 above, the respective parties hereto shall be released and discharged from their obligations hereunder, save and except that the liability of the Company for the payment of costs and expenses referred to in the Underwriting Agreement incurred prior to or in connection with such termination shall remain and shall not be affected by such termination.

(6) For the avoidance of doubt, any underwriting fee payable to the Underwriter shall remain payable to such Underwriter notwithstanding that the Underwriting Agreement shall be terminated or the obligations of the Underwriter shall be cancelled or terminated or the Company fails to proceed with the Listing where the Underwriter is of the opinion that such failure is caused by the Company or withdrawn for any reasons whatsoever.

5. RISK FACTORS

Applicants for the Issue/Offer Shares should carefully consider the following (which may not be exhaustive) in addition to other information contained elsewhere in this Prospectus before applying for the Issue/Offer Shares:-

5.1 No Prior Market for NPC'S Shares

Prior to the Listing, there was no public market for NPC's shares. There can be no assurance that an active market for NPC's shares will develop upon the Listing or, if developed that such market will be sustained. There is also no assurance that the issue/offer price will correspond to the price at which NPC's shares will trade upon or subsequent to the Listing. The issue price of RM1.30 per Issue/Offer Share was determined after taking into consideration a number of factors, including but not limited to those set out in Section 4.7 of this Prospectus. The price at which NPC's shares will trade on the Main Board of KLSE upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Company.

5.2 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or abortion of the Listing:-

(a) the Bumiputera investors approved by the MITI fail to subscribe to the portion of Offer Shares allocated to them;

(b) the identified investors fail to subscribe to the portion of Issue/Offer Shares to be placed to them;

(c) the Underwriter exercising its rights pursuant to the Underwriting Agreement, discharging itself from its obligations thereunder; or

(d) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 1,000 shares each, of which at least 750 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and Offer for Sale, and at the point of Listing.

Although the Directors of NPC and the Offerors will endeavour to ensure compliance by NPC of the various listing requirements, including, inter-alia, the Bumiputera equity condition pursuant to the National Vision Policy and the public spread requirement imposed by the SC and KLSE, for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

5.3 Control by Substantial Shareholders

Following the Public Issue and Offer for Sale, Wong Siew Ying and Loo Pang Kee will collectively own 47.26% (of which 32.0% will be held through JVSB) of the Company's issued and fully paid-up share capital and hence will be able to control the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

5.4 Competition

The CPO and PK produced by the Group's mills are mainly sold to four (4) refineries located in the vicinity. The Group had entered into supply contracts with two (2) major refineries in Sandakan and Lahad Datu, Sabah for the supply of CPO and PK to these refineries. Details of the terms of these supply contracts are set out in Section 8.4.5. However, no assurance can be given that the Group will always be able to sell all its CPO and PK to these or other refineries in the future.

Palm oil itself faces competition from the likes of other vegetable oils such as soyabean and rapeseed oils. No assurance can be given that the palm oil industry will be able to maintain or expand its existing market share in the future. Furthermore, because palm oil is homogenous in nature, Malaysian producers also face competition from other major palm oil producing countries such as Indonesia.

5.5 Business Risks

The Group is not insulated from general business risks as well as certain risks inherent in the palm oil industry. For example, the Group's business might be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian 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' tastes and threat of substitutes for palm oil products.

Although the Group seeks to limit these risks through, inter-alia, effective human resource management, close supervision of its oil palm plantations and effective cost control policy, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

5.6 Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Executive Directors and senior management. The loss of any of the Group's Executive Directors or key members of the Group's senior management may affect the Group's performance. The Group's future success will also depend upon its ability to attract and retain experienced personnel. It is the Group's practice to retain the services of these Directors and senior management whenever possible and to also attract and retain experienced personnel.

5.7 Dependence on Foreign Workers

The Group's palm oil estates and mills employ a reasonably large number of foreign manual workers to sustain and facilitate some of its plantation and mills' operations. The ratio of the Group's foreign workers to its total labour force is approximately 84 foreign workers to every 100 workers as at 28 February 2002.

Although, the Group believes that its continuous improvement in its operation processes performed in the estates and mills, which are mainly basic and easy to learn tasks, will improve its production efficiency and reduce its dependency on foreign workers, no assurance can be given that any change in immigration and labour policies by the Government in respect of foreign workers will not affect the Group's performance.

5.8 Dependence on a Small Number of Customers

The Group's output, namely CPO and PK, are mainly sold to four (4) refineries located in Sabah whilst its single largest customer, Sandakan Edible Oils Sdn. Bhd., accounted for approximately 49% of total revenue for the financial period ended 30 September 2001. At present the Group will continue to be dependent on a small number of customers, which is commonly practised amongst oil palm millers due to the limited number of refineries in the region. Although the Group will seek to reduce its dependence on its single largest customer by selling its CPO and PK out of Sabah in the foreseeable future, no assurance can be given that the loss of any one or more of the Group's existing customers would not have an adverse impact on the Group's operating results.

5.9 Potential Conflict of Interest

Certain Directors and substantial shareholders of the NPC Group have interests in companies carrying out similar business activities as the NPC Group which may give rise to a potential conflict of interest situations. To safeguard the interest of the Group and to avoid a possible conflict of interest situation, an audit committee comprising a majority of independent Directors which is required to be formed under the Listing Requirements of the KLSE will, inter-alia, monitor any transactions between the NPC Group and its Directors and substantial shareholders, and/or persons or companies connected with them. Further details on the Directors' and substantial shareholders' interests in similar businesses and the additional measures to be taken to avoid such potential conflict of interest are set out in Section 20.3(xi) of this Prospectus.

5.10 Dependency on Particular Products, Markets and Geographical Location

The NPC Group is principally involved in the production of CPO and PK and hence the growth and viability of its business is highly correlated with and dependent on the growth and viability of these palm products. The Group is not actively pursuing to diversify its principal activities as the Directors of NPC want to focus on the core competencies of the Group, and is in fact required under the Policies and Guidelines on Issue/Offer of Securities of the SC not to venture into other activities not related to their original core business for a period of three years from the date of admission to the Main Board of the KLSE.

Further, as the market for the Group comprises only local refineries in Sabah, and as these refineries have limited processing capacity, no assurance can be given that the NPC Group can continue to supply its CPO and PK to these refineries in the future and that the additional costs involved in selling the CPO and PK out of Sabah through licensed traders will not materially affect the profitability of the Group.

5.11 Fluctuations in CPO and PK Prices

Trade and exports of the country's crude and processed palm oil products are undertaken in USD, hence the prices of CPO and PK are highly susceptible to fluctuations of the USD. This has been principally mitigated by the exchange control rules implemented since 1 September 1998 which has the effect of pegging the RM to USD at the fixed rate of RM3.80 to USD1.00. However, no assurance can be given that the peg will be maintained in the future and that if the peg is removed, it will not have an adverse material effect on the performance of the Group. Nevertheless, the prices of CPO and PK are still fundamentally dependent upon the supply and demand in the world's oils and fats market.

5.12 Dependence on External Supply of FFB

FFB is the primary raw material used by the two (2) palm oil mills operated by the Group. In the early years of its milling operations, most of the FFB requirements of Berkat's mill were supplied by external plantations. In order to provide synergy to its milling activities, the Group expanded its oil palm plantation activities in early 1990s by increasing the Group's plantation land bank, thus resulting in the Group supplying approximately 18% of the total FFB requirements of its mills for the nine (9) months ended 30 September 2001. The balance of approximately 82% of FFB processed by the Group's mills were sourced from external plantations. Although the Group has been able to source for its FFB requirements from other plantations, no assurance can be given that the Group will continue to have available supply of FFB to meet its palm oil mills' requirements. Furthermore, it faces competition from other mill operators for the supply of FFB from these external plantations. However, the Group will be less dependent on external FFB supply in the future as a result of its maturing estates.

5.13 Termination of Development and Cultivation Agreements

Growth, a wholly-owned subsidiary of NPC, had entered into fifty (50) development and cultivation agreements with various small land owners where the Group will develop and cultivate these lands with oil palm in return for all FFB harvested from these lands. Total land area operated by the Group under such arrangement is approximately 263.95 hectares of which 259.14 hectares are planted with mature oil palm. No assurance can be given that the Group will continue to harvest all FFB from these lands as these small land owners may terminate their respective development and cultivation agreements and take possession of their respective land and all oil palm planted thereon at any time by giving three (3) months' notice in writing and payment of compensation as specified in the respective development and cultivation agreements. Nevertheless, if these development and cultivation agreements are terminated, the Group's maturing estates would mitigate the loss of FFB supply arising from the termination and thereby mitigate the impact on the operation of the Group's palm oil mills. Furthermore, the land area under the development and cultivation agreements only account for approximately 3.9% of the Group's total planted area as at 30 September 2001.

5.14 Insurance Risk

At present, the Directors believe that the Group's oil palm estates and palm oil mills are adequately insured against unforeseen events such as fire and lightning, wind storm, riot, strikes and malicious damage. Although the Group has taken the necessary measures to ensure that its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of the NPC Group, including but not limited to, the oil palm estates and palm oil mills or any consequential costs arising therefrom.

5.15 Restrictive Covenants under Borrowing Facility Agreements

The subsidiaries of NPC have entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants which may limit the NPC Group's operating and financial flexibility. Any act by the NPC Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility which may also cause a cross-default on other credit facilities. There can be no assurance that the aforesaid enforcement of the right by the banks or financiers will not have an adverse impact on the Group's operations and financial results. The Board of Directors of NPC is aware of such covenants and shall take all precautions necessary to prevent any breach of these agreements.

5.16 Political, Economic and Regulatory Considerations

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of the Group and the markets of their end products, in particular, CPO and PK. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

5.17 Profit Estimate and Forecast

This Prospectus contains certain estimate and forecast that are based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Because of subjective judgements and inherent uncertainties, and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the estimate and forecast that are contained herein.

5.18 Future Prospects

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the NPC Group will be achieved.

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6. INDUSTRY OVERVIEW

The NPC Group is principally involved in the production of CPO and PK. Hence, the Group's prospects are closely linked to the prospects of the palm oil sector and also dependent on the general domestic economic condition.

6.1 Overview of the Malaysian Economy

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the United States ("US") as well as the continuing weak performance of the Japanese economy. The recent attack on the US has led to greater uncertainties with respect to the severity and duration of the recovery in the US. There are concerns on the risks of the US economy entering into a recession and its contagion on other industrialised and developing economies. In the light of the more difficult environment, real Gross Domestic Product ("GDP") growth of the Malaysian economy is projected to grow by 1-2% for 2001.

All major sectors are expected to be adversely affected by the slower growth in the economy, particularly manufacturing which is estimated to record sharp deterioration in output growth. The steep decline in value added of the manufacturing sector has, however, to some extent been offset by the better performance from the agriculture, construction and services sectors. The services sector has provided the lead growth of the economy on account of better performance of government services and other services sub-sectors. In the construction sector, fiscal stimulus efforts by the Government particularly for infrastructure projects coupled with the construction of low and medium cost residential houses, have contributed towards its higher growth. In the agriculture sector, the higher output from palm oil has resulted in a higher rate of growth for the sector.

Given the growing difficulties in the external environment, growth in real GDP has been largely domestic-led. Expansion in aggregate domestic demand is driven largely by public sector investment and consumption on account of larger fiscal expansion. Private sector demand in nominal value is expected to decline markedly, given the weaker-than-expected external demand which has affected investment in manufacturing activities as well as the continued reduction in investment in the property sector, particularly office space, hotels and retail outlets. Given the significant slowdown in private investment activities, the public sector implemented additional fiscal stimulus packages to stimulate domestic activities. Consequently, public expenditure, both investment and consumption, expanded significantly to continue registering double-digit growth. Notwithstanding the rapid expansion in public sector expenditure, the nation's resource position remains in surplus although gross national savings is estimated to decline on account of slower growth in income. The balance of payments position continues to remain favourable and is projected to record a smaller surplus of 7.9% of Gross National Product.

Malaysia's economic growth continues to be achieved within an environment of low inflation and unemployment. Inflation remains subdued and stable largely on account of the moderation in private sector demand as well as measures implemented by the Government to contain price increase. In spite of higher retrenchments, the nation still enjoys full employment.

(Source: Economic Report 2001/2002)

6.2 Overview of the Palm Oil Industry

The Malaysian palm oil industry registered a remarkable performance in 2001. This was achieved despite the huge carryover stock at the beginning of the year and the glut in the world oils and fats market which depressed palm oil prices. The aggressive marketing efforts by the government and the industry have managed to successfully increase exports substantially, reduce the build up in stocks and finally curtail the further decline in prices.

The production of crude palm oil increased by nearly 1.0 million tonnes or 8.9% to 11.80 million tonnes from 10.84 million tonnes recorded in 2000. The increase was contributed by the expansion in matured area, improved yield and higher oil extraction rate. The encouragement by the government for the industry to embark on sustainable replanting and the introduction of the Oil Palm Replanting Incentive Scheme have managed to somewhat curtail the increase in production.

The Malaysian palm oil industry is expected to recover in 2002. This is mainly due to the much lower carryover stock coupled with the anticipated lower production at 11.6 million tonnes due to the biological and cyclical stress effects on the trees. Export demand is forecast to further improve due to the expected lower global oils and fats supplies.

(Source: Overview of the Malaysian Oil Palm Industry 2001 by the MPOB)

Some of the statistics in relation to the palm oil industry in Malaysia are as follows: -

	Planted	Production		Export			
	area	CPO	PK oil	Palm oil	PK oil	Palm oil	PK oil
Year	Hectares	Metric Tonnes	Metric Tonnes	Metric Tonnes	Metric Tonnes	RM'mil	RM'mil
1975	641,791	1,257,573	108,260	1,172,926	109,153	NA	NA
1980	1,023,306	2,573,173	222,285	2,271,222	218,937	NA	NA
1985	1,482,399	4,134,463	511,908	3,434,025	437,115	NA	NA
1990	2,029,464	6,094,622	827,233	5,727,451	689,727	NA	NA
1995	2,540,087	7,810,546	1,036,538	6,512,956	391,258	NA	NA
1996	2,692,286	8,385,886	1,107,045	7,211,909	465,442	NA	NA
1997	2,893,089	9,068,728	1,164,697	7,489,969	396,785	NA	NA
1998	3,078,116	8,319,682	1,110,745	7,464,925*	462,459*	17,651*	1,270*
1999	3,313,393	10,553,918	1,338,905	8,913,508*	549,893*	14,418*	1,494*
2000	3,376,664	10,842,095	1,384,685	9,081,011	520,280	10,216	1,066
2001	3,529,050	11,803,785	1,531,922	10,593,168	658,104	10,109	850

Notes:-

NA *Not available*

* *Revised as of July 2000. Some of the products under palm oil, PK oil, oleo chemicals, finished products and other oil palm products are reclassified*

(Source: Malaysian Oil Palm Statistic 1999 and Performance of the Malaysian Palm Oil Industry 2001, by the MPOB)

Slower growth is projected in the agriculture sector at 0.8% (2001: 1.2%) due to declines in production of CPO, rubber and saw log. CPO production is expected to decline by 2.1% on account of low biological yield cycle of the crop and the large hectarage which has been taken out if production due to replanting.

Palm oil production in 2001, is anticipated to increase by an estimated one million tonnes or 8.9% to reach 11.8 million tonnes. The higher output is on account of a 6.4% increase in yield to 19.5 tonnes per hectare (2000: 18.3 tonnes per hectare), and the addition of another 158,200 hectares of planted area coming into maturity, mainly from Sabah and Sarawak. With this, total matured hectarage will increase to 3.1 million hectares. The bulk of palm oil production, however, continues to come from Peninsular Malaysia (67.5%), with the rest from Sabah (27.9%) and Sarawak (4.6%). The three largest states producing palm oil are Sabah, with 3.3 million tonnes (27.9%), Johor, 2.6 million tonnes (21.8%) and Pahang, 2.1 million tonnes (17.5%). In the world oils and fats market, Malaysia continues to be the largest palm oil producer, accounting for almost half of the world's production, followed by Indonesia with 32%.

Interest in oil palm growing continues unabated despite recent softening in prices. In 2001, total hectarage planted is estimated to increase by 3.7% to 3.5 million hectares (2000: 3.4 million hectares). Oil palm is largely cultivated as an estate crop, with unorganised smallholdings accounting for only 9.5% of total hectarage. In terms of ownership, the private sector is still the largest player, accounting for 59.9% of total hectarage with Government agencies such as the Federal Land Development Authority and FELCRA Berhad collectively accounting for the remaining 30.6%.

The glut in the oils and fats market has led to the deterioration in crude palm oil prices from an average of RM1,451 per tonne in 1999 to RM993 per tonne in 2000. The price reached its lowest level of RM695 per tonne in February 2001, but strengthened to RM1,215 per tonne in August before declining to RM998 per tonne a month later. A two-pronged approach was taken by the Government to improve palm oil prices, through increasing competitiveness and by reducing the stock of palm oil in the market. As an effort to increase the export of palm oil, the Government has allowed one million tonnes of palm oil to be exported duty-free.

The Government also undertook measures to reduce stocks including through a replanting programme of 200,000 hectares of oil palm by the end of 2001 and using palm oil as fuel. For the replanting programme, the Government has set aside RM300 million to be given out as grants to encourage replanting. To be eligible for this programme, growers must own more than four hectares of oil palm with trees which are no longer productive. As at end of July, the MPOB has approved 112,345 hectares to be replanted with high yielding clones. Research on palm oil continues to be emphasised to ensure that the country's competitive edge in the oil palm industry is maintained. Research on improving the quality of palm oil, disease control, enlarging the gene pool and developing a mechanism to collect palm fruit bunches have yielded some promising results.

In line with the increase in palm oil production, palm kernel oil output is estimated to increase by 13.4% to 1.57 million tonnes in 2001 (2000: 1.39 million tonnes). In the first eight months of this year, production increased by 17.7% to about one million tonnes (January – August 2000: 0.85 million tonne).

(Source: Economic Report 2001/2002)

In order to meet the longer-term objective of ensuring the continued viability of the industry, efforts to enhance productivity and increase usage of palm oil through research and development ("R&D") continued to be conducted by the MPOB in 2000. During the year, the MPOB introduced three new products to the industry, namely, goat's milk ice cream (combined with palm oil products), pourable shortening and speciality animal fat replacer. Meanwhile, in the face of competition from other palm oil producing countries as well as other vegetable oils, the Malaysian Palm Oil Promotion Council continued with its efforts to expand and diversify export markets for palm oil. The Council participated in promotional activities, attended exhibitions and organised market studies and missions during the year. In an effort to strengthen the roles of agricultural agencies as envisaged under the Third National Agricultural Policy, the MPOB was established in May 2000, following the merger of the Palm Oil Registration and Licensing Authority and the Palm Oil Research Institute Of Malaysia. MPOB would undertake R&D; licensing and enforcement; and dissemination of palm oil-related information.

(Source: Bank Negara Malaysia, Annual Report 2000)

7. FUTURE PLANS, STRATEGIES AND PROSPECTS

7.1 Future Plans and Strategies of the NPC Group

The NPC Group plans to further expand its business as follows:-

(a) For the immediate future, the Group plans to develop and commence the cultivation of oil palm on its existing plantable reserve land bank and jungle land of approximately 822 hectares. The Group also plans to increase its plantation land bank and its milling capacities to reap the benefits of economies of scale; and

(b) To diversify into other agriculture-based activities at the appropriate time if economically viable.

7.2 Future Prospects of the NPC Group

The future prospects of the NPC Group are expected to be reasonably good mainly due to the following reasons:-

(a) The expected continued growth in the demand for edible oils in line with the increase in worldwide population, which in part will be fulfilled by palm oil;

(b) Only 62.10% of the Group's current oil palms are matured (have been planted for four (4) years or more). Its oil palm plantations are relatively young with approximately 30.03% of the trees planted aged between four (4) to less than seven (7) years old, whilst the remaining 37.90% are immature (planted for less than four (4) years). The oil palms normally reach their peak in terms of yield and oil extraction rate at the age of between seven (7) to fifteen (15) years old. It is expected that in view of the progressive maturity of the plantations, it will pave the way for higher growth when most of the trees reach maturity;

(c) The marketing strategies and promotions undertaken by the various Malaysian palm oil authorities to penetrate new markets and to improve market opportunities and trade of palm oil. Research and development activities are also being carried out to develop new uses of palm oil in both the edible and non-edible products categories, to develop new high-yielding clones and better agronomic practices, including mechanisation of field operations and to increase productivity of the industry. These efforts would eventually lead to improving market opportunities and trade;

(d) The efforts of the MPOB to enhance productivity and increase usage of palm oil through research and development. During the year 2000, the MPOB introduced three new products to the industry, namely, goat's milk ice cream (combined with palm oil products), pourable shortening and speciality animal fat replacer. *(Source: Bank Negara Malaysia Annual Report 2000)*; and

(e) The efforts of Malaysian Palm Oil Promotion Council to undertake the necessary promotional activities to remove obstacles and create opportunities to enhance the marketability and image of Malaysian palm oil in the world.

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