
2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 19 June 2003 .

A copy of this Prospectus has been lodged with and registered by the Companies Commission of Malaysia, who takes no responsibility for its contents.

The approval of the SC obtained vide its letters dated 29 November 2002 and shall not be taken to indicate that the SC recommends the Public Issue and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the Public Issue Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39 (1)(j) of the Act, KLSE has prescribed BLDP as a prescribed security. In consequence thereof, the shares issued by BLDP in this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant who presently has a CDS Account should state his CDS Account number in the space provided in the Application Form. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the KLSE is not to be taken as an indication of the merits of BLDP or its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by BLDP. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of BLDP since the date hereof.

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.

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2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

2.1 Opening and closing of Application

The application period will open at 10:00 a.m. on 19 June 2003 and will remain open until 8:00 p.m. on 1 July 2003 or such future period or periods as the Directors and Promoters of BLDP together with the Managing Underwriter in their absolute discretion may decide.

2.2 Critical dates of the Public Issue

Events	Tentative Date
Date of Prospectus / Opening of Application List for the Public Issue	19 June 2003
Closing of Application List for the Public Issue	2 July 2003
Balloting of Applications	4 July 2003
Listing on the Main Board of the KLSE	21 July 2003

2.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

- (i) To raise funds for BLDP Group's continued operation and expansion, details of which are set out in the Section 7;
- (ii) To obtain the listing of and quotation for BLDP's entire issued and paid-up capital of 85,000,000 Shares on the Main Board of the KLSE, which is expected to enhance the business, profile and future prospects of BLDP Group;
- (iii) To enable BLDP Group to have access to the capital market for its future expansion and growth; and
- (iv) To provide an opportunity for Malaysian investors and institutions, the eligible directors and employees of BLDP Group to participate in the equity and continuing growth of BLDP Group.

2.4 Share Capital

	RM
Authorised Share Capital 500,000,000 Shares	500,000,000
Issued and Fully Paid-Up Share Capital as at the date of this Prospectus 64,290,000 Shares	64,290,000
To be issued pursuant to the Public Issue 20,710,000 Shares	20,710,000
	85,000,000

There is only one class of shares in the Company, namely Shares, all of which rank pari passu with one another.

The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of 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 the liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representative or proxy or attorney of 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 Share held. A proxy may but need not be a member of the Company.

2.5 Details of the Public Issue

The Public Issue of 20,710,000 Shares at an Public Issue Price of RM2.00 per Share each is payable in full on application upon such terms and conditions as set out in this Prospectus.

The Public Issue Shares will be allocated in the following manner:-

	Number of Shares	%
(i) Bumiputera Investors approved by MITI Reserved for Bumiputera investors via placement approved by MITI	8,400,000	40.56
(ii) Private Placement Reserved for private placement to identified investors	5,560,000	26.85
(iii) Eligible Directors and employees of BLDP Group Reserved for eligible directors and employees of BLDP Group (<i>further details and basis of allocation are set out in Section 2.5.1. of this Prospectus</i>); and	4,250,000	20.52
(iv) Malaysian Public To be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions	2,500,000	12.07
	20,710,000	100.00

The Public Issue Shares represent approximately 24.36% of the enlarged issued and paid-up share capital of BLDP of 85,000,000 Shares.

The 13,960,000 Public Issue Shares in respect of items (i) and (ii) above and the 2,360,000 Public Issue Shares allocated to the eligible directors of BLDP Group under item (iii) above need not be and will not be underwritten. The remaining 4,390,000 Public Issue Shares comprising the allocation to eligible employees of BLDP Group under item (iii) and the allocation to the Malaysian Public under item (iv) above have been fully underwritten by the panel of Underwriters listed in the "Corporate Information" section of this Prospectus.

Any Shares in respect of item (iii) above not subscribed for by the eligible employees of the BLDP Group will be reallocated to the other eligible employees of the BLDP Group. The Public Issue Shares in respect of item (iii) above not taken up after the said reallocation, if any, will be made available for application by the Malaysian public and placement to prospective investors. The Underwriters will take up any underwritten shares not subscribed thereafter. There is no minimum level of subscription in respect of the Public Issue.

The basis of allocation shall take into account the desirability of distributing the Public Issue to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and adequate market in the Shares.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

In the event of an under-subscription by the public pursuant to the Public Issue, all the Shares not applied for will be made available for subscription by the Underwriters in proportions specified in the underwriting agreement dated 27 May 2003.

Details of Allocation to Eligible Directors and Employees

A brief description on the criteria of allocation of the pink forms to eligible employees as approved by the Board of Directors is as follows:-

Category	* Years of service	Pink Form Allocation Number of BLDP Shares
Senior Managers	6 and above	190,000
	4 to less than 6	130,000
	Less than 4	70,000
Managers & Executives	6 and above	20,000
	4 to less than 6	15,000
	Less than 4	11,000
Senior staffs and supervisors	6 and above	15,000
	4 to less than 6	5,000
	Less than 4	3,000
Technical staffs and foremen	6 and above	4,000
	4 to less than 6	3,000
	Less than 4	2,000
Junior staff and drivers	-	1,000

* Based on the BLDP Group's payroll list as at 31 December 2002.

A total of 177 employees are eligible for the above pink form allocations.

The details of the Directors' pink form allocation is as follows:-

Name of Directors	Pink Form Allocation Number of BLDP Shares
<u>Directors of BLDP</u>	
Tan Sri Datuk Amar Haji Bujang Mohd. Nor	100,000
Dato Sri Lau Hui Kang	470,000
Henry Lau Lee Kong	470,000
Tuan Haji Wan Abdillah bin Wan Hamid	470,000
Robert Lau Hui Yew	100,000
Chong Chon Chee	100,000
	<u>1,710,000</u>
Other directors of BLDP subsidiaries	650,000
Total	<u>2,360,000</u>

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2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

2.6 Basis of Arriving at the Public Issue Price

Prior to the Public Issue, there has been no public market for the BLDP Shares. The Public Issue price of RM2.00 per Share was determined and agreed upon by the Company and AmMerchant Bank as Adviser and Managing Underwriter based on various factors, but not limited to the following :-

- (i) BLDP Group's operating and financial history as outlined in Sections 4 and 11 of this Prospectus;
- (ii) The consolidated forecast net PE multiple of 8.85 times based on the forecast net EPS of 22.61 sen (based on the enlarged issued and paid-up share capital of RM85,000,000) for the financial year ending 31 December 2003 and the Public Issue price of RM2.00 per Share;
- (iii) The future plans and prospects of the BLDP Group as outlined in Section 7 of this Prospectus;
- (iv) The forecast gross dividend yield of 4.50%;
- (v) The proforma consolidated NTA per Share of BLDP as at 31 December 2002 of 1.41 per Share; and
- (vi) The market value of the landed properties of the BLDP Group, as valued by Jordan Lee, Jaafar & Chew Sdn Bhd, an independent registered valuer, on 29 June 2002 of RM274.50 million (further details are set out in Section 9.2 of this Prospectus for information purposes only). No revaluation surplus from the landed properties of BLDP Group has been incorporated in the accounts of BLDP Group as at 31 December 2002.

The Directors/ Promoters of BLDP, and AmMerchant Bank are of the opinion that the Public Issue Price is fair and reasonable after careful consideration of the abovementioned factors.

However, investors should also note that the market price of BLDP Shares upon listing on the KLSE, is subject to the vagaries of market forces and other uncertainties which may affect the price of BLDP Shares when they are traded. Investors should form their own views on the valuation of the Public Issue Shares before deciding to invest in the Public Issue Shares.

2.7 Utilisation of Proceeds

The aggregate gross proceeds of the Public Issue of approximately RM41.42 million shall accrue entirely to the Company. The Company shall bear all expenses such as underwriting commission and brokerage relating to the Public Issue Shares and all other expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of BLDP on the Main Board of the KLSE, estimated at RM3.50 million.

The proceeds from the Public Issue of approximately RM41.42 million are expected to be utilised in the following manner :-

Purpose	Note	Estimated utilisation time frame (upon receipt of proceeds from the Public issue)	RM'000
Plantation expenditures	(i)	within 36 months	13,908
Repayment of bank borrowings	(ii)	within 6 months	19,542
Purchase of property, plant and equipment	(iii)	within 36 months	3,703
Estimated listing expenses	(iv)	within 3 months	3,500
Working capital			767
Total			41,420

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)*Notes :-***(i) Plantation expenditures**

Approximately RM13.91 million are expected to be utilised for the development of GM and Niamas plantation land in the next three (3) years.

Particulars	Note	GM RM'000	Niamas RM'000	Total RM'000
Field development expenditures	(a)	815	1,572	2,387
Field planting expenditures	(b)	422	662	1,084
Field maintenance expenditures	(c)	6,958	1,572	8,530
Immature field overhead expenditures	(d)	1,485	422	1,907
		9,680	4,228	13,908

Notes:-

- (a) *comprised mainly of land preparation costs and infrastructure costs*
 (b) *comprised mainly of expenses incurred in the planting of oil palm trees*
 (c) *comprised mainly of maintenance costs such as weeds removal, fertilising, pest and disease control, maintenance of infrastructure and road gravelling*
 (d) *comprised mainly of repair and maintenance and other overhead costs*

(ii) Repayment of bank borrowings

Approximately RM19.54 million are expected to be utilised to repay the following bank borrowings undertaken by GM and Niamas:-

Company	Type	Financial Institution	Purpose	Date first drawn down	Interest (%)	Estimated balance to be repaid (RM'000)
GM	Bank overdraft	HSBC Bank Malaysia Bhd	To part finance the project cost of and provide working capital for GM's oil palm plantation	28.05.1999	1.25% above BLR	1,642
GM	Term Loan	HSBC Bank Malaysia Bhd	To part finance the project cost of GM's oil palm plantation	05.01.2001	1.25% above BLR	11,700
Niamas	Term Loan/ Bank overdraft	RHB Bank Bhd	To part finance the cultivation and development of oil palm	14.05.2002	1st to 4th year 1.25% above BLR 5th year onwards 1.50% above BLR	6,200
						19,542

In the event that the amount of bank borrowings outstanding at the redemption date is less/more than the amount stated above (due to continued repayment of the borrowing in accordance with the repayment schedule), the excess/ shortfall in proceeds will be utilised/funded to/ from working capital.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

The repayment of the above bank overdraft is expected to result in interest saving of approximately RM130,000 per annum. The early settlement of the term loans is expected to result in interest saving of approximately RM5.99 million over the duration of the term loans.

(iii) Purchase of property, plant and equipment

Approximately RM3.70 million are expected to be utilised to construct buildings, plant and equipment for GM and Niamas as set out in the table below :-

	RM'000
(i) Construction of buildings Construction of labour lines, site office, FFB ramps, suraus, staff quarters, guard house, canteen, office, store, workshop, water treatment plant, fencing, water piping system and other ancillaries	2,005
(ii) Acquisition of plant and machinery, vehicles and equipment Water pipe installation, water tanks, trailers, browser tank, water treatment plant and tanks, tractors, vehicle and equipment	1,698
Total	3,703

The capital expenditure is expected to improve the productivity and efficiency of the BLDP Group.

(iv) Estimated listing expenses

Approximately RM3.50 million of the proceeds from Public Issue are expected to be utilised to defray the incidental expenses relating to the Public Issue which consist of, inter alia, professional fees and charges, brokerage, underwriting commission, placement fees, printing and advertisement costs and other expenses.

Details of the estimated listing expenses are set out below :-

Major cost items	RM
Professional fees (including fees for advisers, solicitors, accountants etc.)	800,000
Printing and advertising	620,000
Placement and underwriting fees	350,000
Issuing House fee	200,000
Stamp duty etc	100,000
SC fees	70,000
KLSE fees	60,000
Brokcrage	50,000
Registration and lodgement of Prospectus	11,000
Other miscellaneous charges	1,239,000
Total	3,500,000

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2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

The utilisation of proceeds by BLDP Group is expected to give a financial impact as follows :-

	Without proceeds from Public Issue (RM'000)	With proceeds from Public Issue (RM'000)
Financial Year Ended 31 December 2003		
- Consolidated PBT	26,933	27,032
- Consolidated PAT after MI	19,151	19,223
- Net cash-inflow/ (outflow) for the year	(4,523)	13,622

2.8 Underwriting Commission, Placement Fee And Brokerage

The Underwriters set out in the "Corporate Information" section of this Prospectus have agreed to underwrite the 4,390,000 Shares to be offered to the Malaysian public and eligible employees of the BLDP Group in the proportion set out below :-

Underwriters	Number of Underwritten Shares	Proportion of Shares underwritten (%)
AmMerchant Bank Berhad	2,634,000	60
Aseambankers Malaysia Berhad	1,317,000	30
K&N Kenanga Bhd	219,500	5
Malaysian International Merchant Bankers	219,500	5
Total	4,390,000	100

As set out in Section 2.9 of this Prospectus, there is a force majeure clause in the underwriting agreement dated 27 May 2003 which allows the Underwriters to withdraw from the underwriting arrangements under adverse circumstances.

An underwriting commission of 2.0% of the Public Issue Price of RM2.00 per Share is payable by the Company to the Underwriters. A placement fee is payable by the Company in respect of all the Shares successfully placed out by the Placement Agent. A management fee is also payable by the Company to the Managing Underwriter in respect of all the Public Issue Shares.

Brokerage is payable in respect of the Public Issue Shares by the Company at the rate of 1.0% of the Public Issue Price of RM2.00 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.9 Salient Terms of the Underwriting Agreement

The following are the salient terms as extracted from the Underwriting Agreement dated 27 May 2003 between the Company and the Underwriters as set out under the "Corporate Information" section of this Prospectus ("Agreement") :-

3. CONDITIONS PRECEDENT

3.1 The obligations of each Underwriter hereunder and the obligations of the Company under this Agreement are conditional at the date hereof and at the Closing Date upon:-

- (a) the listing of and quotation for the enlarged issued and paid-up capital of the Company on the Main Board having been approved in principle by KLSE and if the approval of the KLSE is subject to fulfilment of certain conditions, such conditions are acceptable to the Managing Underwriter and the other Underwriters;

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

- (b) *the registration with the SC and the lodgement with the CCM of the Prospectus in its final form in accordance with the requirements of the Act;*
- (c) *the offering of the Underwritten Shares pursuant to the Public Issue in accordance with the provisions of the Prospectus not being prohibited by statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including SC and KLSE);*
- (d) *all necessary approvals and consents required from the relevant authorities in relation to the offering of the Underwritten Shares pursuant to the Public Issue having been obtained and all conditions of approvals required to be fulfilled or obtained (as may be applicable) before the listing of and quotation for the entire issued and paid up capital of the Company have been fulfilled or obtained (as may be applicable).*
- (e) *there have not been on or prior to Closing Date, any adverse changes or adverse change nor any development reasonably likely to result in any prospective adverse change in the condition (financial or otherwise) of the BLDP Group, which is material in the context of the Public Issue from that set forth in the Prospectus, nor the occurrence of any event which makes any of the warranties and undertaking contained in clause 4 in the opinion of the Underwriters (which opinion is final and binding) untrue and incorrect in any material respect as they have been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of undertaking and covenants contained in clause 4.*

3.2 *If any of the conditions set forth in clause 3.1 are not satisfied within 3 months from the date of this Agreement or any further period as the Majority Underwriters may otherwise determine, any party to this Agreement shall, subject to clause 3.3 below, be entitled to terminate this Agreement.*

3.3 *In relation to clause 3.2 above:-*

- (a) *an Underwriter (other than the Managing Underwriter) may only terminate this Agreement following prior consultation with the Company and the Managing Underwriter and by giving notice to the Company and the Managing Underwriter not later than the Closing Date;*
- (b) *the Company may only terminate this Agreement following prior consultation with the Managing Underwriter and by giving notice to the Managing Underwriter and the Underwriters not later than the Closing Date;*
- (c) *the Managing Underwriter may only terminate this Agreement following prior consultation with the Company and by giving notice to the Company and the Underwriters not later than the Closing Date;*

and in that any of the said events (except for the liability of the Company for the payment of the expenses as provided in clause 8 and any rights and liabilities of the Company and/or the Underwriters under clauses 4 or 5) the parties hereto shall be released and discharged from their respective obligations hereunder save and except for antecedent breaches provided that any Underwriter may at its discretion waive compliance with any provision of this clause 3 and any condition so waived shall be deemed to have been satisfied in relation to it.

4. WARRANTIES AND UNDERTAKINGS OF THE COMPANY

4.1 *In consideration of the Underwriters agreeing to underwrite the Underwritten Shares, the Company hereby represents, warrants and undertakes as follows:*

- (a) *the Directors have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom;*

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

- (b) *the Prospectus:*
- (i) *will comply in all material respects with the Companies Act 1965, the Act and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to the SC, and all other relevant authorities;*
 - (ii) *will contain all information which is material in the context of the Public Issue, and such information as contained therein will be true, complete, and accurate in all material respects;*
 - (iii) *will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the Public Issue and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect;*
- (c) *the Public Issue and compliance by the Company with the terms of this Agreement:*
- (i) *do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Company or its subsidiaries or any existing law, regulation or listing requirements applicable to or affecting the Company or its subsidiaries or the Public Issue; and*
 - (ii) *do not and will not infringe the terms of, or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or its subsidiaries is a party or by which the Company or any of its subsidiaries or any part of the undertakings, assets, properties or revenues of the Company or its subsidiaries is bound or affected;*
- (d) *save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Managing Underwriter prior to the date hereof:*
- (i) *there is no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by the KLSE and the SC), criminal charge or investigation current or pending, or to the knowledge of the Company (after due and careful enquiry), threatened against the Company or its subsidiaries the effect of which would materially and adversely affect the financial condition of the Company or the BLDP Group as a whole; and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto; and*
 - (ii) *neither the Company nor its subsidiaries is in default or in breach of any agreement to which it is bound, or of the terms of any licence, permit, approval, directive, legislation or regulation of any relevant authority (including the KLSE and the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the BLDP Group as a whole;*
- (e) *no circumstances or situations have arisen and/or are existing, which will or are likely to materially and adversely affect the financial condition or business of the Company or its subsidiaries, or the success of the Public Issue;*
- (f) *each of the Company and its subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;*

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

- (g) *save as disclosed in the Prospectus and the documents (if any) attached thereto, neither the Company nor its subsidiaries has entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure;*
- (h) *all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the Public Issue and any other matters contemplated hereby:*
- (i) *have been or will be unconditionally obtained by the due date;*
- (ii) *if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Managing Underwriter by the due date;*
- (iii) *and are or will remain in full force and effect;*
- (i) *all information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the Public Issue is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares;*
- (j) *each statement of opinion, intention and expectation (including the profit forecast) made in the Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably, and honestly held by the Directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions those assumptions are reasonable;*
- (k) *the Public Issue or as the case may be, the execution and delivery by the Company, of the Prospectus and this Agreement and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed hereunder will constitute the legally valid, binding and enforceable obligations of the Company in accordance with their terms;*
- (l) *the Company and its subsidiaries are duly incorporated under the laws of their place of incorporation and validly existing with full power and authority to conduct their business in the jurisdiction where they carry on business and are not in liquidation and no steps have been taken by any person for or with a view to appoint a liquidator, receiver and/or manager or judicial manager of the Company or its subsidiaries or of any of their respective assets or undertakings;*
- (m) *the relevant audited financial statements have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and its subsidiaries for the financial year ended 31 December 2002 and the Company and its subsidiaries have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent, of the Company and its subsidiaries as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 1 January 2003 there has been no material adverse change in the financial position of the Company or its subsidiaries taken as a whole, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly*

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

available document or as has been disclosed to the Managing Underwriter prior to the date of this Agreement;

- (n) other than indebtedness contested in good faith by the Company or its subsidiaries as disclosed in the Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or its subsidiaries has become or is likely to become payable by reason of default by the Company or any such subsidiaries and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfilment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;*
- (o) all taxes (whether income tax, property tax or otherwise) of the Company and its subsidiaries in particular but not limited to all taxes which are material in the context of the Public Issue, for which the Company and/or its subsidiaries are liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts; all the returns, notices or information which are required to be made or given by the Company or its subsidiaries for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably be aware) which are likely to give rise to any such dispute;*
- (p) the records, statutory books and books of accounts of the Company and its subsidiaries are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the CCM or other relevant authorities have been duly and correctly delivered or made;*
- (q) the material business assets of the Company and its subsidiaries which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*
- (r) there will be no material variation between the Prospectus in the form attached hereto and the Prospectus in the form registered by the SC without the prior written consent of the Managing Underwriter.*

4.2 *The Company irrevocably and unconditionally, covenants and undertakes with the Underwriters to do the following:*

- (a) to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the Public Issue and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;*
- (b) to apply for and obtain the approval in principle of the KLSE and SC for admission of the Company to the Official List of the KLSE and for permission to deal in and quotation for the entire issued and paid-up share capital of the Company) including the Public Issue Shares, before the Closing Date and to comply with all requirements and provisions of the Companies Act 1965, the Act, the Listing Requirements of the KLSE and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;*

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

- (c) *to comply with all the conditions, if any, imposed by the SC and KLSE for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE;*
 - (d) *to promptly and without any delay whatsoever notify the Underwriters of any breach of any of the representations, warranties or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the business of the Company and/or the BLDP Group as a whole, or the success of the Public Issue and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same, at any time prior to the Closing Date;*
 - (e) *to give to the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Company or the BLDP Group or in connection with the Public Issue or the other proposals contained in the Prospectus and the documents (if any) attached thereto;*
 - (f) *to fix the Closing Date together with the Managing Underwriter;*
 - (g) *to do all other things and sign or execute such other documents as may reasonably be required by the Underwriters.*
- 4.3 *The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in this clause 4 and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with the Underwriters that it shall:*
- (a) *hold and keep the Underwriters fully and effectively indemnified and shall hold them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses, and legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or its nominees pursuant to clause 2.7(a) into the Securities Accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to clause 4.3(b) below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitles the Underwriters to terminate this Agreement pursuant to the provisions of clause 9 herein;*
 - (b) *forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
 - (c) *not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been notified in writing of or to which the Underwriters or their legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

- (d) *to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- (e) *to the extent permitted by law, not make public any information which will or is likely to affect the market price of the Public Issue Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.*

9. TERMINATION

Notwithstanding anything contained in this Agreement, if in the reasonable opinion of the Majority Underwriters:-

- (a) *there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters or the Company by reason of Force Majeure (as defined in clause 1.1) which would have or can reasonably be expected to have, a material adverse effect on the financials, business or the operations of BLDP Group or the success of the offering of the Underwritten Shares pursuant to the Public Issue or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;*
- (b) *there is any breach by the Company of any of its covenants, representations, warranties, undertakings or material obligations under this Agreement or which is contained in any certificate, statement or notice provided under or in connection with this Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;*
- (c) *the Company has withheld any information from the Underwriters, or any statement given or representation made to the Underwriters is inaccurate or untrue which would have or can reasonably be expected to have, a material and adverse effect on the business, operations or prospect of the BLDP Group or the success of the offering of the Underwritten Shares pursuant to the Public Issue;*
- (d) *there shall have been any government requisition or other occurrence of any nature whatsoever which would have or can reasonably be expected to have, a material and adverse effect on the business, operations, financial condition or prospect of the BLDP Group or the success of the offering of the Underwritten Shares pursuant to the Public Issue; or*
- (e) *there shall have been any change in law, regulation, directive, policy or ruling in any jurisdiction which would have or can reasonably be expected to have, a material and adverse effect on the success of the offering of the Underwritten Shares pursuant to the Public Issue or which has or likely to have the effect of making any material obligation under this Agreement incapable of performance in accordance with its terms;*

then the Majority Underwriters may by notice in writing to the Managing Underwriter require the Managing Underwriter to terminate this Agreement and terminate, cancel and withdraw their commitment to underwrite the Underwritten Shares by giving written notice to the Company before 8.00 p.m. on the Closing Date and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in clause 8 hereof incurred prior to or in connection with such termination and/or any antecedent breaches) be released and discharged from their respective obligations hereunder.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

2.10 Approvals and Conditions

The Public Issue was approved by the following authorities as follows :-

Authorities	Date
SC	29 November 2002
MITI	30 September 2002 and 4 October 2002
FIC	23 November 2002

The conditions imposed by the above authorities and the status of compliance are as follows:-

Authority	Details of Conditions Imposed	Status of Compliance
SC	(i) The promoters and directors of BLDP are not allowed to be involved in new business that will give rise to conflict of interest with the business of BLDP Group. The promoters and directors of BLDP must make detailed disclosure on their potential conflict of interest between them and BLDP Group, including mitigating factors and undertakings by KTS Holdings Sdn Bhd (KTS) to divest the oil palm plantation companies under its control to BLDP in the future, in BLDP listing prospectus;	Complied. The details are set out in Section 10.3 of this Prospectus
	(ii) Undertakings by promoters and directors of BLDP to relinquish their directorships and will not get involved in the management of oil palm companies controlled by KTS (i.e. Merak Murni Sdn Bhd, Hazelland Sdn Bhd, KTS Agricultural Development Sdn Bhd, Sabal Kruin Plantation Sdn Bhd, Gayanis Sdn Bhd and Wawasan Sedar Sdn Bhd), including Pusaka KTS Forests Plantation Sdn Bhd and any other oil palm plantation companies;	Complied. The undertaking/confirmation letters from the respective promoters and directors dated 13 June 2003 have been furnished to the SC on 16 June 2003.
	(iii) BLDP Group should not be involved in any business that is not related to its current core business within 3 years from the date of listing on the KLSE;	Will comply. The undertaking letter dated 13 June 2003 was furnished to the SC on 16 June 2003.
	(iv) Any outstanding account balance involving companies outside BLDP Group which are related to the promoters/directors and major shareholders of BLDP, with the exception for those relating to ordinary course of business, must be fully settled before the issuance of the listing prospectus of BLDP;	Complied. The confirmation letter dated 13 June 2003 was furnished to the SC on 16 June 2003.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

Authority	Details of Conditions Imposed	Status of Compliance
	(v) Any business transactions in the future between BLDP Group and parties that are related to the promoters/directors/major shareholders of BLDP must be based on commercial terms and not on terms that will be detrimental to BLDP Group. In this regard, the promoters must furnish undertakings that all business transactions in the future must be based on commercial terms and not on terms that will be detrimental to BLDP Group before the issuance of BLDP listing prospectus, and the Audit Committee must monitor such transactions, if any, and the directors of BLDP must report it/them in the annual report of BLDP;	Will comply. The undertaking letter dated 13 June 2003 was furnished to the SC on 16 June 2003.
	(vi) Full disclosure in the listing prospectus on the following matters:- (a) All trade debts, ageing analysis and debts that exceed the allowable credit period; and (b) Comment/statement by the directors of BLDP on the recoverability of the trade debts that exceed the allowable credit period;	Not applicable. As at 31 December 2002, BLDP Group does not have any debts that exceed the allowable credit period. Not applicable. As at 31 December 2002, BLDP Group does not have any debts that exceed the allowable credit period.
	(vii) Provision must be made for debts :- (a) which involve disputed amount; (b) where legal action has commenced or taken; and (c) which exceed 6 months	Not applicable. As at 31 December 2002, there were no debts which :- (a) involve disputed amount, (b) Legal action has commenced or taken; or (c) exceed 6 months period that require provision for doubtful or bad debts. A confirmation letter dated 13 June 2003 was furnished to the SC on 16 June 2003.
	(viii) The directors of BLDP must furnish written confirmation to the SC that those trade debts exceeding the credit period are recoverable and provision for doubtful and bad debts has been made in the financial accounts including the financial forecasts before the listing prospectus of BLDP is issued;	Not applicable. The confirmation letter dated 13 June 2003 was furnished to the SC on 16 June 2003.

2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

Authority	Details of Conditions Imposed	Status of Compliance														
	(ix) Any existing material litigation must be disclosed in the listing prospectus of BLDP and the directors must furnish written confirmation to the SC that full provision has been made for any contingent liabilities involving material litigation according to the approved accounting standards before the issuance of the listing prospectus of BLDP;	Not applicable. There were no material litigation as at 12 June 2003. The confirmation letter dated 13 June 2003 were furnished to the SC on 16 June 2003.														
	(x) AmMerchant Bank must confirm to the SC that the allocation of shares to the directors and eligible employees of BLDP Group is consistent with the Policies and Guidelines on Issue/Offer of Securities ("SC Guidelines"); and	Complied. The confirmation letter dated 13 June 2003 was furnished to the SC on 16 June 2003.														
	(xi) BLDP must fully comply with the provisions relating to the listing as provided in the SC Guidelines, especially those set out in Chapter 7, 10 and 25.	Complied/ will comply, where applicable														
	<p>(xii) The proceeds from the Public Issue will be utilized as follows:-</p> <table border="1" data-bbox="536 1016 1114 1279"> <thead> <tr> <th></th> <th style="text-align: right;">RM'000</th> </tr> </thead> <tbody> <tr> <td>(a) Repayment of bank borrowings</td> <td style="text-align: right;">19,542</td> </tr> <tr> <td>(b) Plantation expenditure</td> <td style="text-align: right;">13,908</td> </tr> <tr> <td>(c) Acquisition of property, plant & equipment</td> <td style="text-align: right;">3,703</td> </tr> <tr> <td>(d) Estimated listing expenses</td> <td style="text-align: right;">3,500</td> </tr> <tr> <td>(e) Working capital</td> <td style="text-align: right;">767</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">*41,420</td> </tr> </tbody> </table> <p>* Based on indicative issue price of RM2.00 per share and is subject to the actual issue price.</p> <p>The conditions that need to be complied in relation to the above proceeds are as follows:-</p> <p>(a) Approval from the SC must be obtained for any variation to the original proceeds if the variation involves utilization other than for the core business of BLDP;</p> <p>(b) Approval from the shareholders of BLDP must be obtained for the utilization of proceeds as mentioned above for any variation involving 25% or more on the original utilization as mentioned above. For any variation less than 25% that need to be implemented, proper disclosure must be made to the shareholders of BLDP;</p> <p>(c) Any extension of time as indicated by BLDP for the utilization of proceeds must be approved through a resolution by the Board of Directors of BLDP and must be fully disclosed to the KLSE; and</p>		RM'000	(a) Repayment of bank borrowings	19,542	(b) Plantation expenditure	13,908	(c) Acquisition of property, plant & equipment	3,703	(d) Estimated listing expenses	3,500	(e) Working capital	767	Total	*41,420	<p>Will comply, if applicable</p> <p>Will comply, if applicable</p> <p>Will comply, if applicable</p>
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2. PARTICULARS OF THE PUBLIC ISSUE (cont'd)

Authority	Details of Conditions Imposed	Status of Compliance												
	<p>(d) Proper disclosure on the status of the utilization of proceeds from the private placement and public issue must be made in the quarterly report and annual report of BLDP until the whole proceeds are fully utilized.</p> <p>(xiii) In connection with National Development Policy which requires BLDP to have at least 30% Bumiputera equity participation, BLDP is advised to ensure the total number of Bumiputera directors in the Company's Board of Directors reflects the equity participation of the Bumiputera shareholders.</p> <p>(xiv) AmMerchant Bank and BLDP must furnish written confirmation on the compliance of all the provisions and conditions imposed for the approval of the above proposals after all the proposals are completed.</p>	<p>Will comply</p> <p>Complied.</p> <p>To be complied</p>												
MITI	<p>MITI recognises the following existing shareholders of BLDP as Bumiputera shareholders :-</p> <table border="1" data-bbox="459 952 1093 1187"> <thead> <tr> <th data-bbox="459 987 722 1014">Name of Shareholders</th> <th data-bbox="858 958 954 1014">Shares in BLDP</th> <th data-bbox="1002 958 1093 1014">% interest</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1048 783 1075">☐ Syarikat Payang Sdn Bhd</td> <td data-bbox="858 1048 970 1075">15,017,470</td> <td data-bbox="1002 1048 1066 1075">17.67</td> </tr> <tr> <td data-bbox="459 1077 826 1104">☐ Hamimas Enterprise Sdn Bhd</td> <td data-bbox="858 1077 970 1104">2,169,637</td> <td data-bbox="1002 1077 1066 1104">2.55</td> </tr> <tr> <td data-bbox="507 1137 571 1164">Total</td> <td data-bbox="858 1137 970 1164">17,187,107</td> <td data-bbox="1002 1137 1066 1164">20.22</td> </tr> </tbody> </table> <p>The above shareholders of BLDP are allowed to sell off up to 30% of the recognised shareholding within 12 months from the date of listing of BLDP and the remaining 70% in stages with the prior consent of the MITI.</p>	Name of Shareholders	Shares in BLDP	% interest	☐ Syarikat Payang Sdn Bhd	15,017,470	17.67	☐ Hamimas Enterprise Sdn Bhd	2,169,637	2.55	Total	17,187,107	20.22	<p>Will comply.</p>
Name of Shareholders	Shares in BLDP	% interest												
☐ Syarikat Payang Sdn Bhd	15,017,470	17.67												
☐ Hamimas Enterprise Sdn Bhd	2,169,637	2.55												
Total	17,187,107	20.22												

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3. RISK FACTORS

Prior to making an investment decision, potential applicants for the Public Issue Shares should carefully consider, in addition to all other relevant information contained elsewhere in this Prospectus, the following risk factors which may not be exhaustive before making the application for the Public Issue Shares.

3.1 Marketability of BLDP's Shares

Prior to the Listing, there has been no public market for BLDP's Shares. There can be no assurance that an active market for BLDP's Shares will develop upon listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The issue price of RM2.00 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, BLDP Group's financial and operating history and conditions, its prospects and the prospects of the industry in which BLDP Group operates, the management of BLDP Group, the market prices for shares of companies involved in businesses similar to that of BLDP Group and the prevailing economic and market conditions. There can be no assurance that the Public Issue Price will correspond to the price at which BLDP's Shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for BLDP Shares will develop and continue upon or subsequent to its listing.

The market price of BLDP Group's shares subsequent to its listing could also be subject to fluctuations in response to variations of BLDP Group's anticipated or actual operating results, the general conditions of the economy and the oil palm industry, changes in earnings estimate or investment recommendations by analysts, investor perceptions and expectations regarding products and services, announcements of technological innovations or new products or services, plans and strategic position of BLDP Group, its competitors and its customers, or other events or factors.

3.2 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 Underwriter(s) exercising its/ their rights pursuant to the Underwriting Agreement(s), discharging itself/ themselves from its obligations thereunder; or
- (b) the Company is unable to meet the public spread requirements, that is at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the Public Issue and at the point of listing.

Although the Directors of BLDP will endeavour to ensure compliance by the Company of the various listing requirements, including, inter-alia, the Bumiputera equity condition pursuant to the National Economic Policy and the public spread requirement imposed by the SC and the 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.

3.3 Business Risks

BLDP Group's current principal activities are in the cultivation of oil palm, processing of FFB and sale of related products. BLDP Group will also be venturing into palm oil refining in 2007/2008. Thus, like any other oil palm plantation companies in Malaysia, BLDP Group is subject to business risks inherent in the oil palm industry. These business risks include, but are not limited to, external risks such as fluctuations in palm oil prices, changes in world demand and supply for edible oils and fats, threat of substitutes for palm oil products, weather conditions, availability of seedlings and changes in general economic and business conditions as well as internal risks such as pests and diseases, constraints of labour supply for its plantation, milling and refinery operations, and rising costs of raw materials.

BLDP Group keeps itself abreast with the latest developments in the palm oil industry and has adopted and implemented various strategies to mitigate these risks.

3. RISK FACTORS (cont'd)

The business risks that had affected BLDP Group's operation and results in the past years were fluctuations in CPO and PK prices, changes in world demand and supply for edible oils and fats, threat of substitutes for palm oil products and unfavourable weather conditions such as haze and El Nino.

The movement in the CPO and PK prices is beyond the control of BLDP Group. However, BLDP Group seeks to mitigate the adverse effect of fluctuation in the selling prices of CPO and PK on its operations and results by :-

- (i) Being prudent in its management approach towards maximising productivity thus to be cost competitive. As part of its continuous improvement process, BLD is also in the process of implementing mill-integrated composting system in its own mill this year. The composting system combines by-products from the mill such as EFB and POME and transforms them into high quality compost and fertilizers, which can be used for BLDP Group's own plantation or sold to outsiders. These systems are expected to result in cost saving to BLDP Group;
- (ii) Continuous improvement in its production efficiency and yield as set out in Section 5.12 and 5.13 of this Prospectus; and
- (iii) In times of poor CPO prices like those experienced in 2001, weeding cost was kept to minimum without compromising on the quantity as well as the quality of BLDP Group's FFB productions. During this time of low CPO prices, weedings were carried out three rounds a year on a short term basis, instead of the normal four rounds a year. This reduction did not have any adverse effect on FFB yield. In addition, BLDP Group has also ventured into integrated cattle farming, which reduces BLDP Group's weeding cost and generates additional income for BLDP Group from the sales of cattle for beef.

Sarawak is blessed with good weather condition that is suitable for plantation of oil palms. Except for the haze and El Nino conditions in 1997-1998 period, BLDP Group has not experienced any other adverse weather conditions that had significantly affected its FFB productions. Although the haze and El Nino effects resulted in FFB productions to fall by 3% for BLDP Group in 1998, BLDP Group's PAT increased from RM8.46 million in 1997 to RM21.20 million in 1998 due to increase in average CPO selling prices from RM1,351 per MT in 1997 to RM2,342 per MT in 1998.

Discussion on the risks factors relating to weather conditions are set out in Section 3.7 of this Prospectus.

Nevertheless, there is no assurance that any adverse changes to the above-mentioned factors will not have a material effect on BLDP Group's business.

BLDP Group is also involved in timber operations, it is also subject to the risks inherent in the logging and timber industry which include, amongst others, changes in demand for and prices of logs and timbers. However, as BLDP Group is scaling down its timber operations, these risks are not expected to affect the business operations and financial performance of BLDP Group significantly.

3.4 Reliance on Customer and Suppliers

Sale of CPO, PK and refined palm oil products

Currently, there are two (2) palm oil refineries in Sarawak of which BEO is the major one. Due to geographical proximity of BLDP Group's oil palm estates to BEO's refinery as well as competitive pricing offered by BEO, the CPO and PK produced by BLDP Group are sold to BEO for processing. Currently, BEO is the only customer of BLD Group for sales of CPO and PK. BLD has been supplying CPO and PK to BEO for the past seven (7) years (since the date it commenced its milling operation) and has not encountered any major problem in dealing with BEO. BLD has entered into purchase agreements, renewable on an annual basis, with BEO for BLD to supply and BEO to purchase its full production of CPO and PK. BEO is currently the only major refinery in Sarawak that is located close to BLD's mill and has been the customer of BLD since 1996. Nevertheless, no assurance can be given by BLDP Group that the loss of BEO as its sole customer will not adversely affect the performance of BLDP Group in the future.

3. RISK FACTORS (cont'd)

The CPO input requirements from palm oil refineries generally exceeds the available supply of CPO and the existing refineries in Malaysia still have excess capacity to process additional CPO (the average refining utilisation rate for palm oil refineries in 2002 was 83.82%) (*Source: MPOB statistics at www.mpob.gov.my*). Hence, in case BEO is not able to purchase CPO and PK from BLDP Group, BLDP Group also has the option to sell its CPO and PK to other refineries in Malaysia, albeit at a higher transportation cost.

In addition, BLDP Group has planned to set up its own refinery in 2007/2008. Kirana was granted a refinery manufacturing licence by MIDA in May 2000 for the production of refined palm oil products such as RBD palm oil, RBD palm olein, RBD palm stearin and PFAD.

BLDP Group plans to work closely with MPOB to market and promote its refined palm oil products locally and in overseas countries such as in China, India, Pakistan and European Union countries so that BLDP Group will have diversified client base and not relying on one or two clients for its refined palm oil products. Nevertheless, there is no assurance that Kirana will be able to market and sell its refined palm oil products in the future.

Supply of FFB and oil palm seedlings

Currently, BLD's mill procures FFB from its own estates (which accounted for approximately 50% of its total FFB-intake for 2002) as well as from other nearby plantation estates. BLD has also entered into FFB supply agreements with Wawasan and Gayanis to supply a minimal of 10,000 MT of FFB per annum respectively. Wawasan and Gayanis are related to BLDP Group through common Substantial Shareholders.

BLDP Group has also taken steps to secure the supply of germinated seeds from different reputable suppliers that are renowned for producing high yielding oil palm trees.

BLDP Group has established close business relationships with these suppliers for several years. While the rapport with the FFB suppliers has always been close and cordial, some suppliers had ceased to supply to BLDP Group in the past because they have set up their own CPO mills. However, there was no significant impact on BLDP Group's operation and results because BLDP Group had its own supply of FFB, and it was able to continue to source from other nearby plantations.

While it is unlikely that the existing suppliers will terminate their existing business relationships with BLDP Group, BLDP Group's operating results and financial condition may be temporarily affected if these companies cease to be suppliers to BLDP Group. The Directors and senior management team of BLDP Group believes that over the past ten (10) years, they have gained vast experience in the oil palm industry and have the resources and capabilities to source from alternative suppliers or set up their own internal supply when necessary.

Supply of CPO for the refinery

Upon commissioning of the refinery mill in 2007/2008, Kirana is expected to source a major portion of its CPO from BLD's and Wawasan's mills, as well as from nearby mills. The refinery is expected to rely mostly on reliable supplies from BLD's mill, as well as from mills under KTS Group. Furthermore, the refinery can also source from other mills for the supplies. Nevertheless, no assurance can be given that BLDP Group will always have sufficient CPO supplies for its refinery.

3.5 Fluctuations in the Demand for and Prices of Edible Oils and Fats

Currently, the profitability of BLDP Group is mainly dependent on CPO and PK prices. Moreover, with the expected commission of BLDP Group's refinery in 2007/2008, BLDP Group's profitability in the future will also be dependent on the prices of refined palm oil products such as RBD palm oil, RBD palm olein, RBD palm stearin and PFAD. The prices of these products are in turn dependent upon the world's demand for palm oils products.

3. RISK FACTORS (cont'd)

The movements of the prices of CPO, PK, RBD palm oil, RBD palm olein, RBD palm stearin and PFAD together with the PAT of BLDP Group are set out below :-

	1998	1999	2000	2001	2002
Prices (RM/MT)					
CPO	2,378	1,450	996	894	1,364
PK	1,116	1,070	706	448	661
RBD palm oil	2,486	1,514	1,030	936	1,354
RBD palm olein	2,614	1,638	1,084	968	1,276
RBD palm stearin	1,955	1,076	786	784	1,276
PFAD	1,430	852	604	661	1,084
PAT after MI (RM'000)	21,196	27,467	10,653	9,620	22,598

BLDP Group constantly analyses and monitors the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding its CPO production and sales. The Malaysian Government is supportive of the palm oil industry and, in times of falling CPO prices, the Government has introduced many measures, initiatives and promotions such as replanting subsidy, increase in duty-free exports, shipping insurance subsidies and the CPO burning project to assist in the recovery of the industry. BLDP Group holds dialogues with the Government and other relevant authorities on matters relating to the palm oil industry. Where applicable, the results and recommendations from the dialogues are implemented to manage the business of BLDP Group efficiently.

Nevertheless, the prices of CPO, PK and refined palm oil products are still fundamentally dependent on the demand and supply in the global oils and fats market, and there is no assurance that adverse movement in the demand and supply and prices of CPO, PK and refined palm oil products will not have an adverse effect on the performance of BLDP Group.

3.6 Substitute products

Palm oil faces competition from other edible oils such as soyabean, sunflower seed and rapeseed oils as these edible oils are direct substitutes of palm oil. To effectively compete with these substitutes, the Malaysian Government has undertaken and coordinated many marketing, promotion, research and development activities through MPOB, MPOA and MPOPC to expand the palm oil market and to diversify its applications. Animal fats do not compete directly with palm oil as they are not close substitutes. Nevertheless, any significant change in customers' preference towards the substitute oils and fats will affect the demand and prices for palm oil products and may affect the profitability of BLDP Group.

3.7 Weather Conditions

Save for the El Nino and related weather conditions which bring drought and floods respectively to the Asia-Pacific region, there is minimal risk of adverse weather conditions that will affect the FFB production of BLDP Group. El Nino which affected the performance of the Malaysian palm oil industry, also affected BLDP Group's FFB productions in 1997-1998 period due to extended period of dry season which resulted in low crops. Although the FFB and CPO productions in 1998 fell by about 3% and 6% respectively as the result of El Nino, the average CPO selling prices increased from RM1,351 per MT to RM2,342 per MT, an increase of about 73%. The substantial increase in CPO price in 1998 more than offset the reduction in volume sold. Therefore, BLDP Group was able to achieve better profit margin of about 33% compared to about 18% achieved in 1997. However, BLDP Group's FFB production has not been adversely affected by La Nina.

During the dry season caused by El Nino, BLDP Group takes extra pre-cautionary steps to prevent fire outbreaks. These include having fire fighting equipment at convenient locations within the estates and implementing fire drills on a regular basis. Watch towers are also constructed on higher ground to monitor fire outbreaks. In addition, many boundary roads and FFB evacuation routes within the plantation estates also act as fire breaks.

3. RISK FACTORS (cont'd)

In the case of the wet seasons caused by La Nina, BLDP Group has also taken preventive measures to prepare the low lying areas against possible poor weather conditions by implementing proper water management and irrigation via the building of water gates and the proper maintenance of drains. The management regularly monitors its drainage system and review weather reports to be well prepared for any potential poor weather conditions.

Based on past experiences, there is minimal effect of adverse weather conditions on BLDP Group's FFB production. While threat from adverse water conditions are beyond the control of BLDP Group, certain steps as set out above have been taken to minimise the consequential effects of the weather conditions on the performance of BLDP Group. Nevertheless, there is no assurance that any long term adverse changes in weather will not affect the performance of BLDP Group.

3.8 Labour Force

The palm oil industry is a labour intensive industry. Oil palm plantations require extensive man power in nurturing of seedlings, tree plantings, fertilizing, harvesting as well as other routine maintenance works to ensure the optimal yield. The palm oil industry has faced difficulty in recruiting local labour force and therefore it has resorted to the employment of foreign plantation workers. BLDP Group has obtained all the necessary licences for the employment of foreign plantation workers.

Since BLDP Group commenced its oil palm plantation business, labour supplies have not been a major problem to BLDP Group that had a significant impact on BLDP Group's operation and results. To attract and retain its employees, BLDP Group provides attractive incentives, benefits, welfare schemes and facilities such as clinics, living quarters, schools and sports amenities for staff members and their families. The management team and staff are regularly sent for seminars and training to upgrade their knowledge and skills.

In order to improve production efficiency and reduce dependence on foreign workers, BLDP Group is exploring various options to increase mechanisations. Nevertheless, no assurance can be given that any changes in immigration and labour policies by the Government in respect of foreign workers will not affect the operations of BLDP Group.

3.9 Competition

Competition exists in almost all industries and there is no exception in respect of the palm oil industry. However, with fifteen (15) years of experience in the palm oil industry, BLDP Group has developed long-standing good relationships with both its suppliers and customers to ensure that the supply of raw materials to BLDP Group will not be adversely affected and the sale of CPO and PK by BLDP Group will remain relatively stable.

External Competition - Other producing countries and other oil crops

Malaysia is the world's leading producer and exporter of palm oil. It exported an estimated 10.88 million MT of palm oil in 2002 compared to 10.62 million MT in 2001, which represent an increase of 2.4%. Malaysia faces increasing competition from other palm oil producing countries such as Indonesia, Nigeria, Colombia and Thailand.

To cope with the growing competition, the Malaysian Government has introduced various measures and support such as extensive research and marketing promotion, and other incentives to the industry. These positive measures introduced by the Government have provided good opportunity for Malaysian palm oil producers to expand their market share in the world vegetable oil market to-date.

Apart from competing with other palm oil producing countries, palm oil products also face growing competition and threat from other major oil seed products such as soyabean, sunflower and rapeseed oils. Despite the threat from other seed oil substitutes, palm oil experienced almost four times growth over the 20 years from 1980 to 2000, which was double the growth rates of other seed oils.

3. RISK FACTORS (cont'd)

Palm oil is now the leading edible oil in the international export trade accounting for more than 40% of the world trade in the 17 major edible oils and fats.

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

□ **Local Competition - Plantation and Milling Operations**

There is little market competition amongst the local plantation owners and smallholders in selling their FFB to the mills. BLDP Group has not experienced major competition in securing labour and FFB supplies.

BLDP Group has a sizeable plantation land bank of approximately 40,728 Ha in Sarawak. This large area allows BLDP Group to achieve economies of scale in its oil palm cultivation. Details of the ages of palm trees are set out in Section 5.3.1 of this Prospectus. The current plantation age profiles enables BLDP Group to achieve continuous increase in total FFB production in the next few years as the planted areas increase. Correspondingly, the matured hectareage will increase resulting in higher yields from the matured palms year by year. Improved site-specific agronomic practices have also helped to improve FFB yield.

BLDP Group faces little competition from other mills for the supply of FFB in the same region. Nevertheless, BLD's mill is strategically located in the vicinity of many surrounding oil palm estates. It enjoys consistent FFB supply from its own estates as well as from the surrounding estates, including small and medium estates that do not have any mills. Compared to many other mills, BLD's mill also offers comparative advantage over many other mills in the region in terms of transportation costs to the refinery because of its suitably sited location.

□ **Local Competition – Refinery Operations**

BEO is currently the major CPO refinery in Sarawak. Kirana's future refinery may be competing with BEO and other potential refineries in Sarawak for CPO supplies once it commences operations in 2007/2008. Kirana's refinery will have reliable supplies of CPO from BLD's and Wawasan's mills (further background information on Wawasan is set out in Section 10.3 of the Prospectus), as well as from other nearby mills. BLD's mill has a processing capacity of 60 MT of FFB per hour and Wawasan's mill is expected to have an initial processing capacity of 45 MT of FFB per hour and is expected to expand to 90 MT of FFB per hour in the near future. These two (2) mills are expected to supply more than 50% of Kirana's total CPO input.

The Sarawak State Government plans to develop one million Ha of land with oil palms by 2010 (Source: *Land Development in Sarawak-Opportunities and Challenges in the Commercial Plantation Sector: A paper delivered by Abang Helmi bin Tan Sri Ikhwan, Permanent Secretary, Ministry of Land Development at the International Conference on "Sarawak Awakens" on 19-20 March 1997*). As at the end of 2002, the total oil palm plantation area in Sarawak was approximately 414,000 Ha. Hence, oil palm plantation in the State is expected to grow significantly over the next seven (7) years. In addition, improvement in FFB yield due to maturing of oil palm trees, and increasing palm oil milling operations in the State are expected to increase CPO production and supplies to refineries in the State over the next few years.

However, no assurance can be given that the competition for the supply of CPO would not have an adverse impact on BLDP Group's refinery operations and results.

3.10 Insurance Coverage

At present, BLDP Group's palm oil mill, buildings, plant and machinery are adequately insured against risks such as fire and lightning and other perils. However, BLDP Group has not insured its planted crops as the Directors believe that the risk associated with such assets is low and coverage is not cost effective.

3. RISK FACTORS (cont'd)

In the event that the FFB productions are disrupted by fire or flood, the Directors believe that BLDP Group can still source FFB from external parties for any shortfall of FFB for its milling operations. This, however, may result in lower profit margin for BLDP Group. Nevertheless, in the past, BLDP Group has not experienced any event in relation to insurance coverage that had a significant impact on its operation and results.

3.11 Political, Economic and Environmental Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries where palm oil is currently being exported to, could materially and adversely affect the financial prospects of BLDP Group. Political and economic uncertainties include (but are not limited to) changes in labour laws and availability of foreign labour, interest rates, pegging of Ringgit to the USD, methods of taxation, tariff and duties. These factors affect all the palm oil industry players in one way or another and are generally beyond their control. Notwithstanding this, BLDP Group has not experienced any significant adverse developments in political and economic conditions in the past that had adversely affect its palm oil operations and results.

The palm oil industry also depends to a certain extent on the prevailing market conditions which is unpredictable and volatile. However, market sentiment was affected by the impact of the recent war in Iraq and outbreak of Severe Acute Respiratory Syndrome (SARS) which may/ would have an adverse effect on the global economic outlook.

3.12 Control by Substantial Shareholders

Upon completion of the Public Issue, BLDH, Syarikat Payang, Hamimas, Dato Sri Lau Hui Kang, Henry Lau Lee Kong, Lau Swee Nguong @ Lau Sui Guang, Robert Lau Hui Yew and Tuan Haji Wan Abdillah bin Wan Hamid will collectively own approximately 66% of the issued and paid-up share capital of BLDP. Dato Sri Lau Hui Kang, Henry Lau Lee Kong, Lau Swee Nguong @ Lau Sui Guang and Robert Lau Hui Yew have Substantial Shareholdings in BLDH while Tuan Haji Wan Abdillah bin Wan Hamid is Substantial Shareholder of both Syarikat Payang and Hamimas. As such, Dato Sri Lau Hui Kang, Henry Lau Lee Kong, Lau Swee Nguong @ Lau Sui Guang, Robert Lau Hui Yew and Tuan Haji Wan Abdillah bin Wan Hamid, through BLDH, Syarikat Payang and Hamimas, will possess voting control over BLDP, giving them the ability, amongst others, to elect at least a majority of BLDP Group's Board of Directors and to control the vote on significant corporate transactions unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

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 BLDP Group and its Directors/ Substantial Shareholders and/or persons connected with them to ensure that these transactions are entered into at commercial terms.

3.13 Potential Conflict of Interest

Certain Substantial Shareholders of BLDP, namely KTS, Syarikat Maslahat Sdn Bhd and Lau Swee Nguong @ Lau Sui Guang and certain Directors of BLDP, namely Dato Sri Lau Hui Kang, Henry Lau Lee Kong and Tuan Haji Wan Abdillah bin Wan Hamid have Substantial Shareholdings in other oil palm plantation companies. There is therefore potential for conflict of interest situations arising from the Directors and Substantial Shareholders' interest in these companies. Conflict of interest situations may arise where these plantation companies may compete with BLDP Group and business decisions are made in favour of these companies leading to negative effects on the performance of BLDP Group. However, none of the Executive Directors of BLDP holds any directorship in other oil palm plantation companies nor are they actively involved in the management of these companies.

To avoid the potential conflict of interest, the relevant Directors and Substantial Shareholders have procured these plantation companies to enter into agreements with BLD to supply FFB to BLD at prevailing market price on arm's-length transactions. Further information and the salient terms & conditions of the agreements and details of the Directors' and Substantial Shareholders' interests in other companies carrying out similar business and the measures taken/ to be taken to avoid any potential conflict of interest are set out in Section 10.3 of the Prospectus.

3. RISK FACTORS (cont'd)

In addition, 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 BLDP Group and its Directors/ Substantial Shareholders and/or persons connected with them. The Directors and Substantial Shareholders of BLDP will also not venture into any new businesses that will lead to conflict of interest situations with the existing oil palm plantation businesses carried out by the BLDP Group.

3.14 Dependence on Key Personnel

BLDP Group is headed by an experienced, committed and dynamic management teams. Some of the senior management staff have been in the palm oil industry for more than twenty (20) years. The dedication and commitments of the management team have contributed to the profitability and growth of BLDP Group and will continue to contribute to the future growth and success of BLDP Group. Hence, BLDP Group's continued success in the future will depend on its ability to retain and attract skilled personnel.

BLDP Group has relatively low staff turnover at its management level. In the past BLDP Group has never experienced any loss of key management staff that had adversely affected BLDP Group's operation and results. As set out in Section 8.5 of this Prospectus, most of the key management staff have been with BLDP Group for more than ten (10) years. Their loyalty and commitment to BLDP Group over the years have enabled BLDP Group to function smoothly and efficiently. While it is unlikely that the loss of any members of the management team will significantly affect the operations of BLDP Group, the performance and competitive edge of BLDP Group may be affected by the sudden loss of key persons within the management team. BLDP Group has also been grooming younger members of the management team to progressively take over managerial responsibilities from the senior members to ensure continuity in the effectiveness of the management team.

3.15 Financial Risks

As at 31 December 2002, total borrowings of BLDP Group amounted to approximately RM12.20 million and its gearing ratio (based on the proforma shareholders' funds) was approximately 0.10 times. Total interest expenses for the year ended 31 December 2002 amounted to approximately RM623,000, or 2.8% of PAT for the financial year. In view of present low interest rate environment and the expected repayment of BLDP Group's total bank borrowings from the utilisation of proceeds raised from the Public Issue, any adverse movements in the interest rate is not expected to have any significant impact on BLDP Group's financial performance. Nevertheless, there is no assurance that future credit facilities will be available (if required) at commercially viable rates to fund BLDP Group's future expansion or working capital requirements.

3.16 Achievability of Forecast

This Prospectus contains forecast for BLDP Group for the financial year ending 31 December 2003 that are based on assumptions, which the Directors deem to be reasonable at the time of issuance, but nevertheless are subject to uncertainties and contingencies. Due to the inherent uncertainties of these forecast and because events and circumstances frequently do not occur as predicted, there can be no assurance that the forecast contained herein will be realised, and actual result 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 forecast that are contained herein.

3.17 Forward looking statements

Certain information in this Prospectus is based on the historical experience of BLDP Group and may not be reflective of future results. Whilst the interpretation of this information may be forward-looking, the contingencies and inherent uncertainties underlying these information should be carefully considered by investors and should not be regarded as a representation or assurance by BLDP Group and its advisers that the objectives and the future plans of BLDP Group will be achieved. Any differences in the expectations of BLDP Group from its actual performance may result in BLDP Group's financial and business performances and plans to be materially different from those anticipated.