
4. INFORMATION ON BLDP GROUP

4.1 Incorporation

BLDP was incorporated in Malaysia as a public limited company under the Act on 19 October 2001.

BLDP is principally an investment holding company. As an integral part of the Restructuring and Listing Exercise, BLDP acquired Kirana and also BLD, together with its three (3) subsidiaries, namely GM, Niamas and BLDR. BLDP Group is principally involved in the cultivation of oil palm, processing of FFB and sales of related products. BLDP Group is also involved in other ancillary activities, namely integrated cattle farming and timber business. The timber business has gradually declined and is expected to be phased out by 2004.

4.2 History And Business Of BLDP Group

BLD commenced its business in 1975 in timber logging when it was awarded the harvesting rights of all merchantable timber trees at Sawai Land District, Suai, Miri under timber licence No. T/0127. The licence expired in May 1999 and since then it has been renewed on an annual basis.

In response to the State Government's call to promote plantation agriculture in Sarawak and in view of the growing prospects of the palm oil industry, BLD, in 1987, diversified its business into oil palm plantation with the cultivation of oil palms on approximately 8,000 Ha of logged-over land. Since then, BLD's oil palm business has grown over the years. From 1997 onwards, oil palm plantation has been the principal activity of BLD.

In April 1996, BLD ventured into downstream activity by setting up its mill to produce CPO and PK. The current processing capacity is 60 MT of FFB per hour which is the equivalent to approximately 380,000 MT of FFB per annum. In 2002, the production volumes of CPO and PK were 64,400 MT and 14,700 MT respectively.

In 2000, as part of its expansion plan, BLD acquired approximately 21,800 Ha of plantation land in Lassa Land District, Mukah, and Kabang Land District, Sibul to expand its plantation land bank for future plantation development. In addition, in the same year, BLD also acquired the entire equity interest in GM, also an oil palm plantation company with approximately 4,856 Ha of agriculture land. GM's plantation land is close to BLD oil palm plantations and this provides synergistic benefits to BLDP Group as it helps to reduce plantation and transportation costs. Subsequently, in 2001, BLD also entered into a joint venture with SLDB for a 60% equity interest in Niamas, another plantation company with approximately 2,458 Ha of land. Recently in 2003 BLD acquired the entire equity interest in BLDR, currently a dormant company earmarked for oil palm plantation.

In June 2003, BLDP also acquired the entire equity interest in Kirana which has a refinery manufacturing licence to operate a palm oil refinery on approximately 14 acres of land in Tanjung Kidurong Industrial Estate in Bintulu, Sarawak. Construction of the palm oil refinery is expected to commence in 2006, and the refinery would enable BLDP Group to further diversify its products to include RBD palm oil, cooking oil and other related products. BPSB is currently constructing "Inner Harbour 2" at Bintulu Port with a dedicated palm oil terminal. Upon its expected completion in 2004, the terminal will handle exports of all palm oil products for the Bintulu-Miri region. The site for Kirana's proposed refinery is strategically close to this new terminal.

Currently, BLDP Group has a total estimated plantation land of approximately 40,728 Ha in the State of Sarawak. As at end March 2003, approximately 14,100 Ha of the land area has been developed and approximately 12,200 Ha are planted, of which approximately 8,200 Ha are mature plantation. The remaining approximately 26,500 Ha will be gradually planted in the coming years and the increase in planted area will further enhance the growth and earnings of BLDP Group.

The main products of BLDP Group are CPO and PK. All the FFB harvested from BLD Group's plantation are sent to its palm oil mill for processing into CPO and PK which are subsequently sold to a local refinery in Bintulu, Sarawak for further processing.

4. INFORMATION ON BLDP GROUP (cont'd)

BLDP Group also owns three (3) stone quarry licences under BLD and GM. The stones from these quarries are mainly used by BLDP Group for the construction and maintenance of roads in and around its plantation estates and are also sold to external parties.

4.3 Share Capital

The authorised and issued and paid-up share capital of BLDP as at the date of this Prospectus are set out below: -

	RM
Authorised Share Capital 500,000,000 Shares	500,000,000
Issued And Fully Paid-Up Share Capital 64,290,000 Shares	64,290,000

The changes in the issued and paid up share capital of BLDP since its incorporation are as follows:

Date of allotment	No. of Shares issued	Par value (RM)	Consideration	Cumulative total (RM)
13.05.2002	2	1.00	Subscribers' shares: Cash	2
09.06.2003	64,289,998	1.00	Consideration Shares	64,290,000

4.4 Restructuring and Listing Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of BLDP on the Main Board of the KLSE, the Company undertook a Restructuring and Listing Exercise which was approved by the SC, FIC and MITI on the dates set out below :-

Authorities	Date of Approval
SC	29 November 2002
MITI	30 September 2002 and 4 October 2003
FIC	23 November 2002

The Restructuring and Listing Exercise involved the following:-

4.4.1 Acquisition of BLD

BLDP entered into a conditional share exchange agreement dated 13 August 2002 ("Share Exchange Agreement") with the shareholders of BLD for the acquisition of the entire issued and paid-up share capital of BLD comprising 30,625,000 Shares for a purchase consideration of RM68,147,177 based on the audited NTA of BLD Group as at 31 December 2001 satisfied by the issuance of 64,289,998 Shares at an issue price of approximately RM1.06 per Share. The Acquisition of BLD was completed on 9 June 2003.

4. INFORMATION ON BLDP GROUP (cont'd)

The summary information of the purchase consideration is set out in the table below :-

Shareholders	← Interests in BLD →		Purchase consideration (RM)	Number of BLDP Shares Issued as consideration
	Number of BLD Shares held	% Shareholding (%)		
• BLDH	15,916,201	51.97	35,416,953	33,412,329
• Syarikat Payang	7,153,679	23.36	15,918,467	15,017,470
• TWA	1,550,298	5.06	3,449,746	3,254,487
• CA	1,049,025	3.43	2,334,306	2,202,182
• Hamimas	1,033,522	3.37	2,299,809	2,169,637
• Gannets Sdn Bhd	310,060	1.01	689,950	650,898
• Other 46 shareholders who individually hold less than 1% of the issued and paid-up share capital of BLD	3,612,215	11.80	8,037,946	7,582,995
Total	30,625,000	100.00	68,147,177	64,289,998

The BLD Shares were acquired free from all claims, charges, liens and encumbrances whatsoever together with all rights attached thereto and all dividends, rights and distribution declared, paid or made in respect thereof as from the date of the execution of the conditional Share Exchange Agreement.

4.4.2 Acquisition of Kirana

BLDP entered into a conditional share sale agreement dated 13 August 2002 ("Share Sale Agreement") with KTS for the acquisition of the entire issued and paid-up share capital of Kirana comprising 14,550,000 Shares for a cash consideration of RM14,315,438. On 27 March 2003, BLDP and KTS entered into a supplementary share sale agreement to revise the purchase consideration for Kirana to RM14,330,438, based on the audited NTA of Kirana as at 31 December 2001 of RM14,465,438, and adjusted for provision for bad debts written-off in 2002 of RM135,000. Pursuant to the Acquisition of Kirana, BLD has on 10 June 2003 advanced RM14,330,438 to BLDP to settle the cash consideration of RM14,330,438. The Acquisition of Kirana was completed on 10 June 2003.

The Kirana Shares were acquired free from all claims, charges, liens and encumbrances whatsoever together with all rights attached thereto and all dividends, rights and distribution declared, paid or made in respect thereof as from the date of completion of the execution of the conditional Share Sale Agreement.

4.4.3 Public Issue

As part of the Public Issue, BLDP will issue 20,710,000 new Shares at a Public Issue Price of RM2.00 per Share, payable in full on application upon such terms and conditions as set out in Section 15 of this Prospectus. The Public Issue Shares will be allocated in the manner set out in Section 2.5 of this Prospectus.

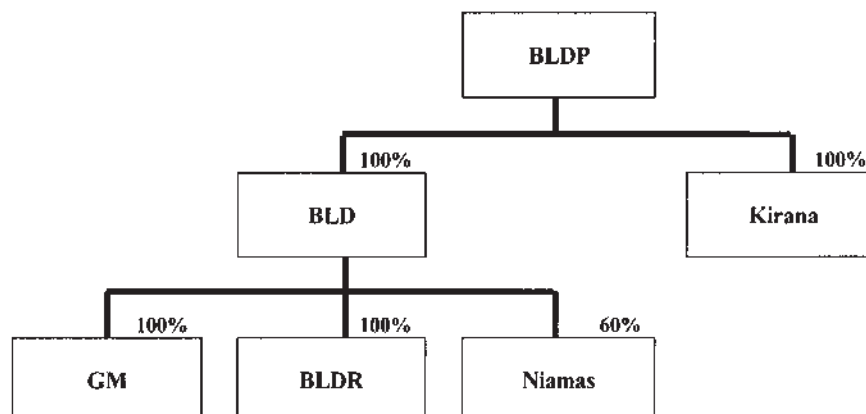
4.4.4 Listing

The final part of the Restructuring and Listing Exercise involves the listing of and quotation for the entire enlarged issued and paid-up share capital of BLDP of RM85,000,000 comprising 85,000,000 Shares on the Main Board of the KLSE.

4. INFORMATION ON BLDP GROUP (cont'd)

4.5 Group Structure

The current group structure of the BLDP Group is as follows :-



The principal activities of these subsidiary companies are as follow :-

Subsidiaries	Equity interest	Principal Activities
BLD #	100%	Oil palm plantation and palm oil milling
Kirana	100%	Intended for palm oil refinery
GM *	100%	Oil palm plantation
Niamas *	60%	Oil palm plantation
BLDR *	100%	Intended for oil palm plantation

Notes :-

also involved in other ancillary activities, i.e. integrated cattle farming and timber business
 * subsidiaries of BLD

4.6 Subsidiaries

4.6.1 Information on BLD

4.6.1.1 History and Business Overview

BLD was incorporated on 20 October, 1975 in Malaysia as a private limited company under the Act. BLD is principally involved in cultivation of oil palm, processing of FFB and sales of related products. BLD is also involved in other ancillary activities, namely integrated cattle farming and timber business. The timber business has gradually declined and is expected to be phased out by 2004.

BLD has approximately 11,609 Ha of plantation land at Sawai Land District, Suai in Miri and approximately 21,805 Ha at Lassa and Kabang Land District in Sib. The total land area is approximately 33,414 Ha. As at 31 March 2003, approximately 8,200 Ha are matured plantation. Further details of the oil palm estates are set out in Section 5.3.1 of this Prospectus.

BLD also operates a palm oil mill located at Sawai Land District. The mill is running on two (2) production lines and has an installed capacity of 60 MT of FFB per hour. The mill is currently operating at approximately 74% of its capacity. It is expected to operate at its full capacity within the 12 months. The mill also has a storage capacity of up to 8,000 MT of CPO.

4. INFORMATION ON BLDP GROUP (cont'd)

As at 31 March 2003, BLD has about 160 management and administrative staff and over 1,000 plantation and mill workers.

The main products of BLD are CPO and PK. All the FFB harvested are sent to BLD's palm oil mill for processing into CPO and PK that are then sold to a local refinery for further processing.

4.6.1.2 Share Capital

BLD's present authorised share capital is RM50,000,000 comprising 50,000,000 Shares whilst its issued and paid-up share capital is RM30,625,000 comprising 30,625,000 Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
20.10.1975	3	1.00	Subscribers' shares; Cash	3
31.12.1975	99,997	1.00	Cash	100,000
10.07.1976	300,000	1.00	Cash	400,000
10.07.1976	100,000	1.00	Capitalisation of reserve	500,000
09.06.1981	2,000,000	1.00	Cash	2,500,000
02.03.1982	2,500,000	1.00	Bonus issue	5,000,000
14.09.2000	1,986,018	1.00	Cash	6,986,018
14.09.2000	15,670,644	1.00	Bonus issue	22,656,662
15.09.2000	7,968,338	1.00	Cash	30,625,000

4.6.1.3 Substantial Shareholders

BLD is a wholly owned subsidiary of BLDP.

4.6.1.4 Subsidiary and Associated Company

As at the date of this Prospectus, BLD has three (3) subsidiary companies, namely GM, Niamas and BLDR. Save for those mentioned above, BLD does not have any other subsidiary nor any associated company.

4.6.1.5 Profit and Dividend Records

Please refer to Section 12 "Accountants' Report" of this Prospectus.

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4. INFORMATION ON BLDP GROUP (cont'd)

4.6.2 Information on GM

4.6.2.1 History and Business Overview

GM was incorporated on 5 January, 1996 in Malaysia as a private limited company under the Act. GM is principally involved in cultivation of oil palm.

GM's oil palm estates are located at Lot 72, Sawai Land District in Miri and Lot 1, Block 3, Jelalong Land District in Bintulu. The total land area is approximately 4,856 Ha of which approximately 2,900 Ha has been planted since 1999. As at 31 March 2003, the total matured area is approximately 1,100 Ha. Further details of the oil palm estates are set out in Section 5.3.1 of this Prospectus.

As at 31 March 2003, GM has about 20 management and administrative staff and more than 110 plantation workers.

4.6.2.2 Share Capital

GM's present authorised share capital is RM25,000,000 comprising 25,000,000 Shares whilst its issued and paid-up share capital is RM16,500,000 comprising 16,500,000 Shares.

The changes in its issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
05.01.1996	2	1.00	Subscribers' shares; Cash	2
15.07.1996	98	1.00	Cash	100
28.01.1997	9,900	1.00	Cash	10,000
26.06.1997	90,000	1.00	Cash	100,000
28.08.1997	900,000	1.00	Cash	1,000,000
23.06.1998	2,000,000	1.00	Cash	3,000,000
16.09.2000	13,500,000	1.00	Cash	16,500,000

4.6.2.3 Substantial Shareholders

GM is a wholly owned subsidiary of BLD.

4.6.2.4 Subsidiary and Associated Company

As at the date of this Prospectus, GM does not have any subsidiary nor associated company.

4.6.2.5 Profit and Dividend Records

Please refer to Section 12 "Accountants' Report" of this Prospectus.

4. INFORMATION ON BLDP GROUP (cont'd)

4.6.3 Information on Niamas

4.6.3.1 History and Business Overview

Niamas was incorporated on 29 September, 2000 in Malaysia as a private limited company under the Act. Niamas is a joint venture company between BLD and SLDB to develop oil palm plantation on NCR land under the NCR land development scheme established by the State Government of Sarawak in 1997. Details of the NCR land and NCR land development concept are set out in Section 5.5 of this Prospectus.

Niamas' oil palm estate is located at Ulu Sg. Niah, Sawai Land District, Miri with a total land area of approximately 2,458 Ha of which approximately 2,200 Ha are plantable area and over 1,000 Ha has been planted since 2000. Further details of the oil palm estates are set out in Section 5.3.1 of this Prospectus.

As at 31 March 2003, Niamas has 5 management and administrative staff and about 90 plantation workers.

4.6.3.2 Share Capital

Niamas's present authorised share capital is RM10,000,000 comprising 10,000,000 Shares each, whilst its issued share capital is RM2,949,600 comprising 2,949,600 Shares of which RM2,064,720 comprising 2,064,720 Shares are fully paid-up.

The changes in its issued share capital since incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value RM	Consideration	Total Issued capital RM
29.09.2000	2	1.00	Subscribers' shares; Cash	2
14.06.2001	1,499,998	1.00	Cash (450,000 Shares are calls in arrear)	1,500,000
22.04.2002	1,446,600	1.00	Cash (434,880 Shares are calls in arrear)	2,949,600

4.6.3.3 Substantial Shareholders

The Substantial Shareholders of Niamas are as set out below :-

Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
BLD	1,769,760	60.0	-	-
SLDB #	1,179,840	40.0	-	-
	<u>2,949,600</u>	<u>100.0</u>		

Note:

thirty percent (30%) of the issued and paid-up capital of Niamas are held in trust by SLDB on behalf of the NCR land owners. Please refer to Section 5.5 of this Prospectus for detailed information on NCR land development scheme

4.6.3.4 Subsidiary and Associated Company

As at the date of this Prospectus, Niamas does not have any subsidiary nor associated company.

4. INFORMATION ON BLDP GROUP (cont'd)

4.6.3.5 Profit and Dividend Records

Please refer to Section 12 "Accountants' Report" of this Prospectus.

4.6.4 Information on BLDR

4.6.4.1 History and Business Overview

BLDR was incorporated on 13 May 2002 in Malaysia as a private limited company under the Act. The intended principal activity for BLDR is oil palm plantation.

4.6.4.2 Share Capital

BLDR's present authorised share capital is RM100,000 comprising 100,000 Shares each whilst its issued and paid-up share capital is RM2 comprising 2 Shares.

The changes in its issued share capital since incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value RM	Consideration	Total Issued capital RM
13.05.2002	2	1.00	Subscribers' shares	2

4.6.4.3 Substantial Shareholders

BLDR is a wholly-owned subsidiary of BLD.

4.6.4.4 Subsidiary and Associated Company

As at the date of this Prospectus, BLDR does not have any subsidiary nor associated company.

4.6.4.5 Profit and Dividend Records

A summary of the audited accounts of BLDR for the financial period from date of incorporation of 13 May 2002 to 31 December 2002 is as follow :-

	8 months ended 31 December 2002 RM
Revenue	-
Loss before taxation	(3,188)
Taxation	-
Loss after taxation	(3,188)
Weighted average number of Shares	2
Net loss per Share	(1,594)
Gross dividend rate (%)	-

4. INFORMATION ON BLDP GROUP (cont'd)

4.6.5 Information on Kirana

4.6.5.1 History and Business Overview

Kirana was incorporated on 17 August 1995 in Malaysia as a private limited company under the Act under the name KTS Lumber Agencies Sdn Bhd. It changed to its present name on 14 October 1998. The intended principal activity for Kirana is palm oil refining. Kirana has a manufacturing licence from MIDA to operate a palm oil refinery in Tanjung Kidurong Industrial Estate in Bintulu, Sarawak. Construction for the palm oil refinery is expected to commence in 2006.

4.6.5.2 Share Capital

Kirana's present authorised share capital is RM25,000,000 comprising 25,000,000 Shares each whilst its issued and paid-up share capital is RM14,550,000 comprising 14,550,000 Shares.

The changes in its issued share capital since incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value RM	Consideration	Total Issued capital RM
17.08.1995	2	1.00	Subscribers' shares	2
30.09.2000	14,549,998	1.00	Cash	14,550,000

4.6.5.3 Substantial Shareholders

Kirana is a wholly-owned subsidiary of BLDP.

4.6.5.4 Subsidiary and Associated Company

As at the date of this Prospectus, Kirana does not have any subsidiary nor associated company.

4.6.5.5 Profit and Dividend Records

Please refer to Section 12 "Accountants' Report" of this Prospectus.

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5. BUSINESS OVERVIEW

5.1 Background

BLDP Group is mainly involved in oil palm plantation and milling operations. BLDP Group is also involved in other ancillary activities, namely integrated cattle farming and timber business.

BLDP Group has a total plantation land of approximately 40,728 Ha and one (1) palm oil mill. Details of the oil palm estates are as set out in the following table :-

Company	Location	Area (Ha)	Type of Plantation Estates	Status	Expiry
BLD	• Lot 40, Sawai Land District, Miri	4,022	Mineral Soil	Leasehold	15.04.2047
	• Lot 54, Sawai Land District, Miri	4,040	Mineral Soil	Leasehold	16.05.2055
	• Lot 87, Sawai Land District, Miri	3,547	Mineral Soil	Leasehold	17.09.2060
	• Lots 552, Lassa Land District, Mukah (formerly known as Kabang Land District) and 554, Kabang Land District, Sibul	21,805	Peat soil	Leasehold	13.12.2060
		33,414			
GM	• Lot 72, Sawai Land District, Miri	940	Mineral Soil	Leasehold	15.12.2057
	• Lot 1, Block 3, Jelalong Land District, Bintulu	3,916	Mineral Soil	Leasehold	29.07.2057
		4,856			
Niomas	• Ulu Sg. Niah NCR Project, Sawai Land District, Miri	* 2,458	Mineral Soil	Pending issuance of land title by the authority	
	Total	40,728			

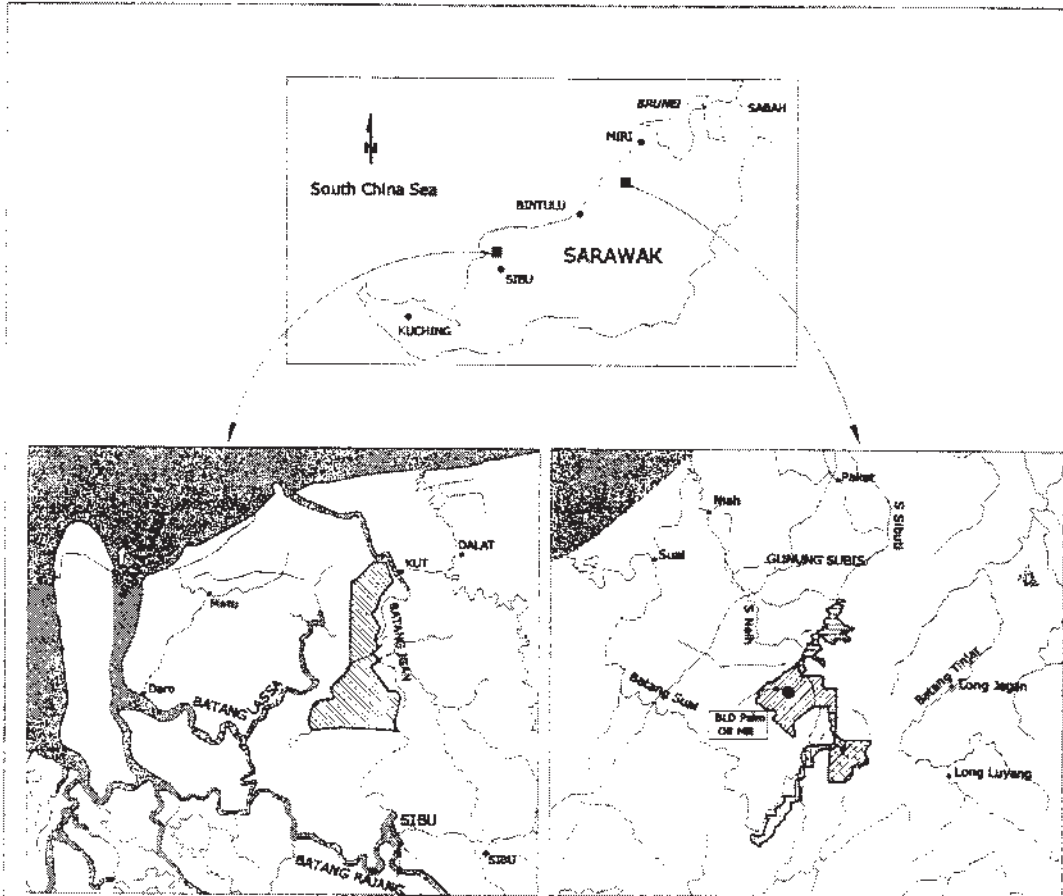
Note : * Land areas are stated in approximation

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5. BUSINESS OVERVIEW (cont'd)






The map below depicts the locations of BLDP Group's plantation estates in the State of Sarawak :-

LOCATIONS OF PLANTATION ESTATES



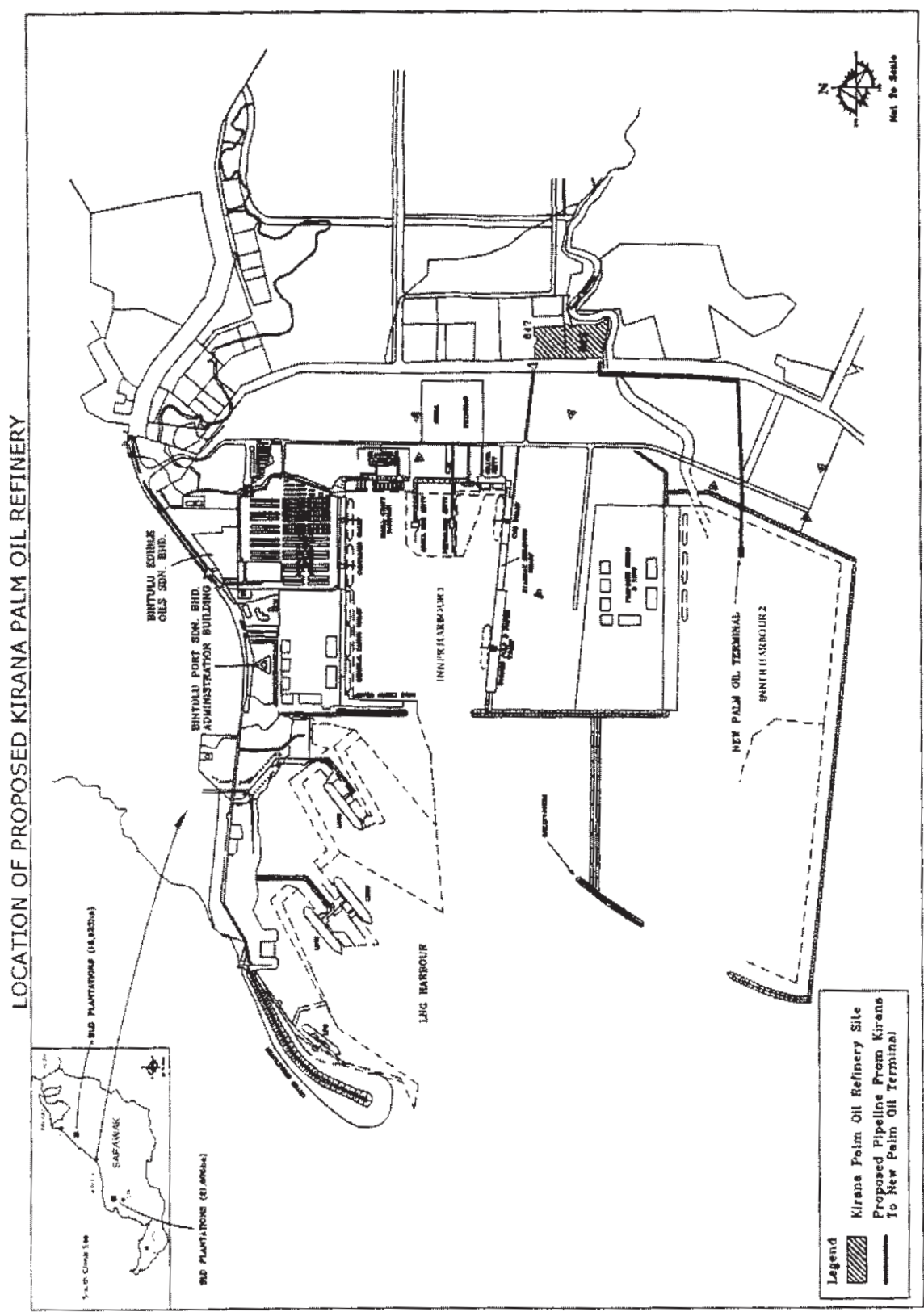
Legend

Area (ha)

	Bintulu Lumber Development Sdn Bhd Lots 552 Lassa Land District, Mukah & Lot 554, Kabang Land District, Sibu	21,805
	Niamae Istimewa Sdn Bhd NCR Project, Sawai, Suas, Miri	2,458
	Bintulu Lumber Development Sdn Bhd Lots 40 & 54, Sawai Land District, Miri	8,062
	Grand Mutual Sdn Bhd Lot 72, Sawai Land District, Miri & Lot 1, Jelafong Land District, Bintulu	940 <u>3,916</u>
	Bintulu Lumber Development Sdn Bhd Lot 87, Sawai Land District, Miri	3,547
	Total	40,728

5. BUSINESS OVERVIEW (cont'd)

The map below depicts the location of BLDP Group's proposed palm oil refinery in Bintulu, Sarawak :-

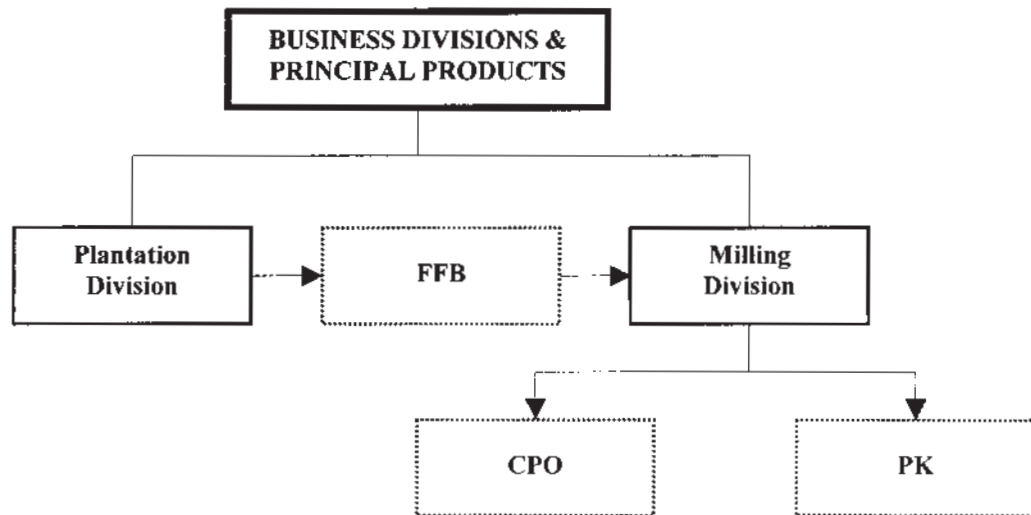


5. BUSINESS OVERVIEW (cont'd)

5.2 Principal Activities and Products

The principal operations of BLDP Group can be categorised into the following two (2) core divisions as set out below:-

- (i) Plantation division which produces FFB; and
- (ii) Milling division which processes the FFB from the Plantation division into CPO and PK.



5.3 Business Overview

5.3.1 Plantation Division

The plantation process begins with the planting of seeds in polybags in nurseries and approximately after one (1) year, the seedlings are transferred to the field. It normally takes another three (3) years for the plants to start producing FFB. Therefore, a total of four (4) years is required from nursery to harvesting and the oil palm will reach its peak period for harvesting (where yield is the highest) during the 7th to the 15th year after field planting.

FFB are currently being harvested from Lots 40 & 54, Sawai Land District, Miri and from GM estates while the other estates will only be ready for harvesting in three (3) years from its date of planting.

BLDP Group is currently implementing planting programme in its various estates and it is expected that by 2012, all its land would be fully developed.

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5. BUSINESS OVERVIEW (cont'd)

As at 31 March 2003, the stages of planting of the oil palm estates are set out in the table below :-

Year of planting	Age of Trees (Year)	BLD			GM	Niamas	Total (Ha)
		Lots 40 & 54, Sawai (Ha)	Lot 87, Sawai (Ha)	Lots 552, Lassa & 554, Kabang (Ha)	Lot 72, Sawai & Lot 1, Jelalong (Ha)	Ulu Sg. Niah NCR Project, Sawai (Ha)	
1988	16	247	-	-	-	-	247
1989	15	379	-	-	-	-	379
1990	14	805	-	-	-	-	805
1991	13	1,500	-	-	-	-	1,500
1992	12	872	-	-	-	-	872
1993	11	1,101	-	-	-	-	1,101
1994	10	1,250	-	-	-	-	1,250
1995	9	890	-	-	-	-	890
1996	8	89	-	-	-	-	89
1997	7	-	-	-	-	-	-
1998	6	-	-	-	-	-	-
1999	5	-	-	-	328	-	328
2000	3 - 4	-	-	-	815	-	815
Total matured plantation		7,133	-	-	1,143	-	8,276
2000	2.5	-	-	-	769	-	769
2001	2	52	56	-	844	316	1,268
2002	1	-	777	-	44	643	1,464
2003	< 1	-	147	-	150	88	385
Total immature land		52	980	-	1,807	1,047	3,886
<i>Orchard</i>		<i>40</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>40</i>
Total planted land		7,225	980	-	2,950	1,047	12,202
<i>Land occupied by buildings, roads, swamps, rivers, nurseries, etc</i>		<i>837</i>	<i>457</i>	<i>-</i>	<i>410</i>	<i>269</i>	<i>1,973</i>
Total land developed		8,062	1,437	-	3,360	1,316	14,175
<i>Land to be gradually developed</i>		<i>-</i>	<i>2,110</i>	<i>21,805</i>	<i>1,496</i>	<i>1,142</i>	<i>26,553</i>
Total land area as per land title		8,062	3,547	21,805	4,856	2,458	40,728

Note:- * Land areas are stated in approximation

The annual FFB production of BLDP Group for the past five (5) years ended 31 December 2002 and the three (3) months ended 31 March 2003 were as follows :-

	Years ended 31 December					3 months ended
	1998	1999	2000	2001	2002	31.3.2003
FFB production (MT)	91,982	126,458	125,211	123,473	142,414	27,969
Matured plantation (Ha) *	6,843	7,133	7,133	7,133	7,805	8,276
FFB yield per Ha (MT/Ha) :						
• BLDP Group	13.44	17.73	17.55	17.30	18.25	3.37
• Average for Sarawak	10.75	13.98	12.83	12.37	18.70	2.69
• Average for Malaysia	15.98	19.26	18.33	19.14	17.95	3.82

Note:- * Land areas are stated in approximation

(Source : Information on industrial average for Sarawak and Malaysia is sourced from MPOB website at www.mpob.gov.my while information on BLDP Group is sourced from the management of BLDP Group)

Sarawak industry average FFB yield is lower than the average for Malaysia as a whole partly because of younger oil palm trees.

5. BUSINESS OVERVIEW (cont'd)

5.3.2 Milling Division

The milling division is operated by BLD's palm oil mill located within Lot 40, Sawai Land District, Miri. As the transportation distance is short, transportation costs is therefore relatively low. More importantly, it will ensure the freshness of FFB delivered to the mill, resulting in the consistent achievement of high OER. This scenario also applies to the purchase of FFB from other nearby estates.

The mill was built in 1996 and was initially licensed by PORLA to process 30 MT of FFB per hour. In October 2000, the mill capacity was further increased to 60 MT of FFB per hour. The mill is currently operating at approximately 74% of its capacity and is expected to operate at its full capacity within the next twelve (12) months. The mill also has a storage capacity of up to 8,000 MT of CPO.

The end products of the milling division are CPO and PK. The production of CPO and PK for the past five (5) year ended 31 December 2002 and the three (3) months ended 31 March 2003 were as follows :-

	← Years Ended 31 December →					3 months ended
	1998	1999	2000	2001	2002	31.3.2003
FFB Processed (MT)	123,705	154,932	167,245	195,843	283,057	66,411
Output (MT)						
- CPO	26,991	33,861	35,994	43,847	64,445	14,293
- PK	6,247	7,785	8,558	9,783	14,722	3,570
OER - CPO (%)						
- BLDP Group	21.82%	21.86%	21.52%	22.39%	22.77%	22.48%
- Average for Sarawak	21.05%	20.83%	20.52%	20.96%	21.57%	21.44%
- Average for Malaysia	18.91%	18.60%	18.86%	19.22%	19.91%	19.57%
PK Extraction Rate (%)						
- BLDP Group	5.05%	5.02%	5.12%	5.00%	5.20%	5.38%
- Average for Sarawak	4.74%	4.75%	4.83%	4.86%	4.86%	4.94%
- Average for Malaysia	5.52%	5.36%	5.52%	5.48%	5.47%	5.48%

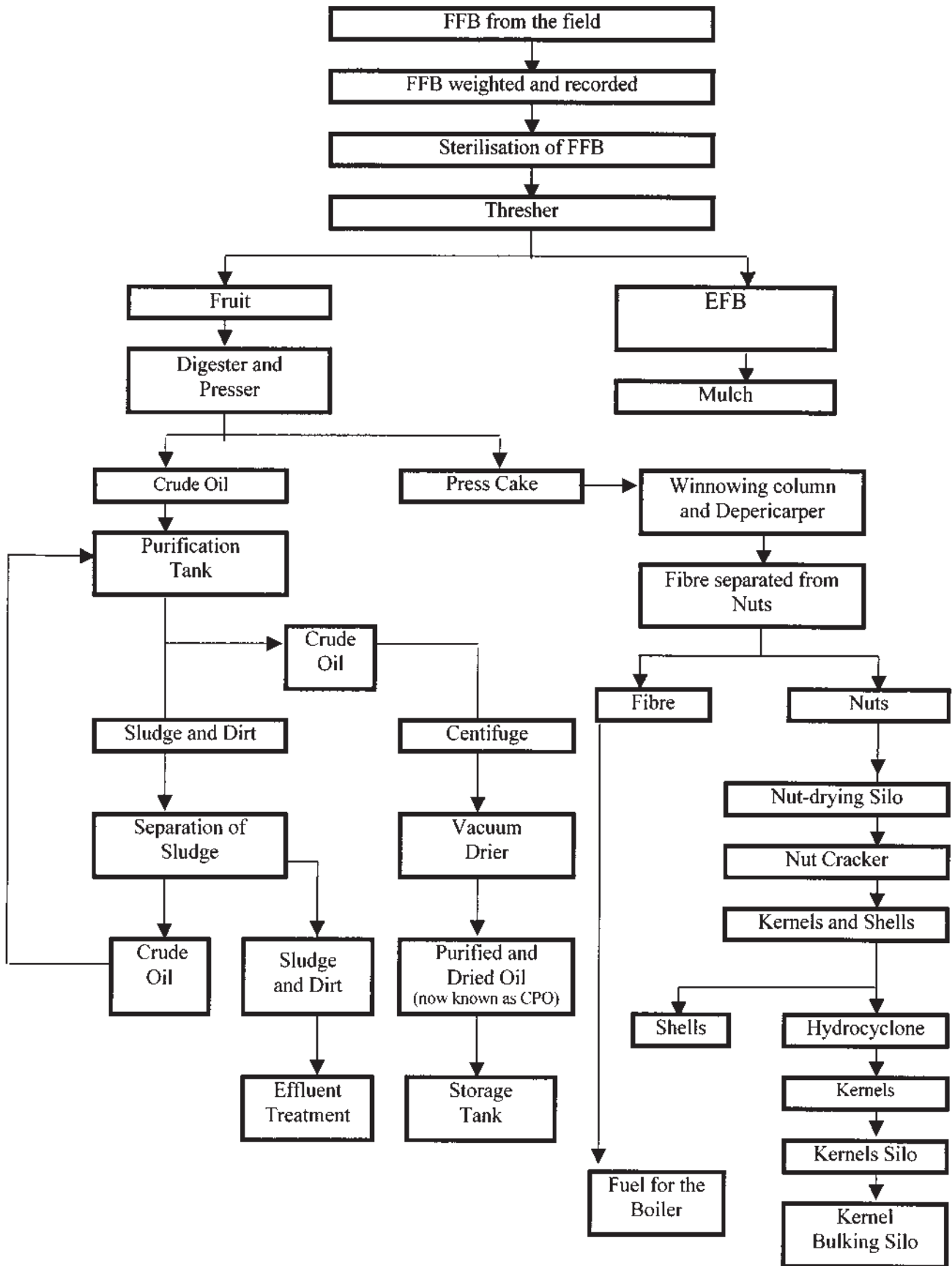
(Source : Information on industrial average for Sarawak and Malaysia is sourced from MPOB website at www.mpob.gov.my while information on BLDP Group is sourced from the management of BLDP Group)

CPO is extracted from the mesocarp of the fruits while PKO is obtained from the kernel. The mesocarp is the fibrous part of the fruit while the kernel is found inside the nut of the fruit. BLD's mill only produces CPO and PK. The PK is sold to an external kernel crushing plant to produce PKO.

BLDP Group's OER for CPO has consistently exceeded the industry average for both Sarawak and Malaysia. This is attributable to stringent ripeness control and thorough loose fruit collection and evacuation of FFB directly to the mill at close proximity for processing. Purchase of high yielding planting materials from established and reputable seed producers is also important for OER. Proper FFB processing at the mill also plays an important role in achieving high OER.

5. BUSINESS OVERVIEW (cont'd)

The diagram below depicts the summary of the CPO and PK production process :-



5. BUSINESS OVERVIEW (cont'd)

A brief description of the CPO and PK production process is set out below :-

i. FFB Reception At The Mill

The palm oil milling process starts with the reception of FFB at the weighing bridge at the main gate entrance of the mill. FFB is transported from the field using tipper lorries or tractors.

The FFB unloaded at the ramp of the mill is subsequently graded and the quality is determined based on the ripeness and freshness of the fruits, the bunch size, lengths of the stalk, formation of the FFB and the percentage of loose fruits.

The FFB received must be processed as soon as possible to ensure the production of high quality palm oil as the undesirable free fatty acid (FFA) content of the FFB starts to increase after harvesting.

The FFB is transferred from the ramp to the fruit cages via the hydraulic controlled gate.

ii. Sterilisation of FFB

In order to obtain a high yield of oil from downstream process and to enable efficient mechanical stripping of bunches, the FFB in the cage must be 'cooked' under pressurised steam. The pressure vessel is called the steriliser and the process is termed sterilisation.

The cycle time for the sterilisation process is 90 minutes under a temperature of 145°C. The main objectives of sterilisation are:

- ❖ To deactivate acid-forming enzymes;
- ❖ To loosen the fruits from the stalk; and
- ❖ To pre-condition the mesocarp and nuts for further process.

There are two (2) lines with two (2) sterilisers per line in the BLD's palm oil mill. Each steriliser can accommodate 11 cages of 33 MT of FFB at any one time.

iii. Threshing

Threshing is to separate the sterilised fruits from the FFB stalk using mechanical means.

The sterilised FFB are emptied from the cages into a thresher and then fed into the revolving slated steel drum by an auto-feeder. The non-oil bearing bunch stalks are oil absorbent, and hence, need to be removed to prevent any absorption of oil. All partially stripped bunches are sent for re-threshing to remove any entrapped fruits through a bunch crusher.

As the slated steel drum revolves, the fruits inside the drum are lifted up the side of the drum by centrifugal forces and friction until gravity causes them to fall back against the drum. This drumming process separates the fruits from the bunch stalks. The small loose fruitlets then drop through the steel slat into a conveyor below the drum and are then transferred via a fruit elevator into the digester.

There are three (3) threshers, with a total installed threshing capacity of 90 MT per hour. Under normal process, one of the threshers is used for double threshing process.

5. BUSINESS OVERVIEW (cont'd)

iv. Disposal of EFB

After separation of the fruits, the EFB are transported using a conveyor to the empty bunch hopper. These EFB are sent back to the field for mulching the oil palms as they contain high quantity of nutrients.

v. Fruit Digestion

The fruits are then transported to the digester via a fruit elevator and fruit distributing conveyor.

In the digester, the fruits are mashed by sets of stirring arms which creates relative circular and vertical movement of fruits. Steam is injected to maintain the temperature at 95°C.

The aim of this process is to:

- ❖ release the oil by rupturing oil bearing cells in the mesocarp;
- ❖ loosen the fibre from the nuts;
- ❖ raise the temperature of the mash to facilitate subsequent pressing; and
- ❖ drain away free oil to reduce the volume to be pressed.

There are six (6) units of digesters installed in the mill, each with a capacity of 15 MT per hour.

vi. Pressing

The mash passing through the digester is fed into a screw press with the screw turning within a perforated press cage and pushing the mash towards a pre-set cone. The pressure on the mash is gradually increased, forcing the oil and moisture to be squeezed from the mash through the perforated press cage, leaving behind a compact dried mass, consisting mainly of nuts and fibre, called the press cake. The crude oil sludge extracted from the mash is then fed into a sand trap-tank in which dirt particles and shell fragments are allowed to settle to the bottom.

vii. Crude Oil Purification and Clarification

The free oil which has been drained from the digester together with the crude oil sludge from the screw press are allowed to flow past a vibrating screen to further remove any retained fibre and shell particles.

The composition of crude oil varies in accordance to the composition of the fruits, but is generally made up of 60% oil and 40% sludge (dirt particles and water).

At this composition, the crude oil is highly viscous and therefore difficult to separate effectively from the sludge. In order to reduce the viscosity, hot water and steam (for maintaining the temperature of crude oil at 98°C) is injected to accelerate the oil/sludge separation process. This process is achieved in the clarification tank with a retention time of about 5 hours to ensure complete separation.

The crude oil is then skimmed off from the mixture, and the oil extracted from the clarification contains approximately 0.6% water and 0.2% impurities. This is further reduced in a high speed centrifuge called a purifier to a moisture content of 0.3% and dirt content of 0.02%.

The purified oil is then pumped through a vacuum drier to reduce the moisture content down to about 0.15%.

5. BUSINESS OVERVIEW (cont'd)

viii. Oil Storage Tank

The purified and dried oil (now known as CPO) is then conveyed via pipes and stored in the oil storage tanks before despatch. The oil in the storage tank is heated using closed steam coils to maintain a temperature of 55°C. A constant homogeneity is maintained by using circulation pumps. The mill has four (4) storage tanks with total storage capacity of about 8,000 MT.

ix. Separation of Sludge

After the clarification process, the separated sludge is temporarily stored and heated in the sludge tank. The sludge will go through a second separation via a de-sander and a decanter at a temperature of 95°C. The decanter is used to recover the final trace amount of suspended oil in the sludge, thereby maximising oil recovery and achieving minimal oil loss in the sludge water discharge and solids. The recovered oil is pumped back to the crude oil clarification tank.

The sludge water discharge is transported to the effluent treatment plant via a sludge pit. The solid sludge is put back into the field for utilisation as compost.

x. Depericarper

The mesocarp fibre is separated from the nuts in the depericarper column after the press cake has been broken and loosened in the cake breaker conveyor. The remaining strands of fibre sticking to the nuts will be removed in the nut-polishing drum. The fibre is pneumatically separated from the nuts and conveyed to the boiler house to be used as fuel in the steam boilers.

The nuts are then transported to the de-stoner to remove any stones and foreign matters, which may have been included in the fruits during transportation.

xi. Nut Drying Silo

The cleaned nuts are then sent to the nut silo for drying. The moisture content of the nuts is reduced from 25% to 17% within a time span of 14 hours. The temperature of the hot air used for drying of the nut is regulated to prevent discolouration of the kernel. Drying will detach the kernel inside the nut from the nut shell, and this will facilitate cracking and separation at a later stage.

The nuts are graded into three (3) different sizes so as to maintain optimum cracking efficiencies in the ripple mills. The graded sizes are below 14 mm, 15 – 24 mm and above 24 mm. Each ripple mill handles each of the three graded sizes.

xii. Ripple Mill and Winnower

Dried nuts are fed into ripple mills to crack the shells. The cracked mixtures comprising kernel and shell are fed into a series of winnowers where the lighter shell fragments and any remaining fibre are blown off.

The residue kernel and shell mixtures are then fed into the kernel grading drum. The whole kernel is then separated from the broken kernel and shells mixture in the drum before being conveyed to the kernel silo.

The kernel and shell mixtures are then fed into a hydrocyclone via a conveyor.

5. BUSINESS OVERVIEW (cont'd)

xiii. Hydrocyclone

The kernels and shells are separated in a hydrocyclone based on the principle of relative differential gravities. Sufficient centrifugal force is required for efficient shells and kernels separation. This centrifugal force is provided by the water medium being pumped into the hydrocyclone at the correct velocity and volume.

The kernels are sent to the kernel silo for storage. Shells separated are sent to the boiler and burnt as fuel.

xiv. Kernel Silo

The kernels are dried in hot air heated by steam in a heat exchanger in the kernel silo. The drying time and temperature is regulated to give proper dryness consistency and moisture content. The installed drying facility is capable of drying 20 MT of palm kernel per hour.

xv. Kernel Bulking Silo

The dried palm kernels (PK) are stored in a bulking silo before despatch. The total storage capacity for the mill is 600 MT.

xvi. Power Plant

The power plant consists of the steam boiler and steam turbine generator. Fibre and shells are burnt in the boiler as fuel to generate steam which will in turn drive the turbine to produce electricity. The electricity is used to run the mill, offices and staff quarters. Diesel generators are only used as standby units, and are sometimes run to provide electricity for the site office when the boiler and steam turbine are not running.

The total installed electrical power is 3,720 KW, comprising 2 units of 1,200 KW steam turbine generator, 2 units of 520 KW standby diesel generator and 1 unit of 280 KW standby diesel generator. All generators can run in parallel at any one time.

5.4 Ancillary Activities**5.4.1 Integrated Cattle Farming**

The integration of cattle farming in oil palm plantation is a form of mixed farming which is synergistic in order to optimise the land use. The proper integration can also help to reduce weeding costs associated with oil palm plantations because the weed species found in oil palm plantations are potential source of feed to the cattle. Proper management of cattle in oil palm plantations together with minimal use of selective herbicides for weeding can result in the plantations being more environmentally friendly and ensure sustainable development of resources. The use of cattle as a biological agent for weed control in oil palm plantations allows the establishment of a harmonious relationship between cattle, the undergrowth and oil palm.

(Source : Guidelines on Cattle Integration in oil palm plantation issued by MPOB)

BLDP Group launched its integrated cattle farming project in 2001 with an initial 300 heads of cattle kept at BLD estates in Sawai Land District in Miri. To-date, BLDP Group has more than 450 heads of cattle. In the near future, the BLDP Group intends to sell these grown-up cattle for meat consumption.

5. BUSINESS OVERVIEW (cont'd)

5.4.2 Timber Business

BLD commenced its logging contract business in 1975 at Sawai Land District, Suai, Miri. In 2000, BLD disposed its non-plantation assets and currently all logging activities are contracted to outside contractors. The timber business have gradually been scaled down since then and is expected to be phased out by year 2004.

5.5 NCR Land
5.5.1 NCR Land

NCR in relation to land means rights acquired by the native landowners in accordance with the native customary law of the community or communities concerned prior to 1 January 1958 in the manner set out in Section 5(2) of the Land Code (Sarawak Cap. 81). This stipulates that NCR may be acquired by any of the following methods:

- (a) The felling of virgin jungle and the occupation of the land thereby created;
- (b) The planting of land with fruit trees;
- (c) The occupation or cultivation of land;
- (d) The use of land for burial ground or shrine;
- (e) The use of land of any class for rights of way; or
- (f) Any other lawful methods.

(Source : "Handbook on New Concept of Land Development on Native Customary Rights" issued in 1997 by the Ministry of Land Development, Sarawak)

5.5.2 NCR Land Development Scheme for oil palm plantation

The development of NCR land for oil palm plantation was initiated by the Sarawak State Government in the early 1990s. The NCR land development scheme involves bringing together NCR landowners with their land and the private sector with their financial resources and technological expertise, to develop idle and under-utilize NCR land for large-scale commercial oil palm plantation on a joint venture basis. All rights and interests of NCR landowners will be merged into one parcel of land and this forms the NCR land bank and land title will be issued in favour of the joint venture company as approved by the State Government for a period of sixty (60) years. The joint venture company will have the custody of the document of land title and the NCR landowners' interests and rights in that parcel of land will be recorded in a trust deed.

The NCR land development scheme aims to develop the idle land of the NCR landowners into modern plantation estates with provisions of adequate infrastructure facilities such as roads, buildings, factories, schools and other amenities that will increase the value of their land as well as their standard of living. As a consideration for the use of their land, the NCR landowners will be allocated collectively 30% equity interest in the joint venture company. The Government will appoint its agency such as SLDB or LCDA to be the trustee for the landowners. The trustee will also hold 10% equity interest in the joint venture company and the remaining 60% equity interest will be held by the joint venture partner from the private sector.

(Source : "Handbook on New Concept of Land Development on Native Customary Rights" issued in 1997 by the Ministry of Land Development, Sarawak)

5. BUSINESS OVERVIEW (cont'd)

BLD responded to the call of the State Government of Sarawak to expedite the development of NCR land in Sarawak through the incorporation of Niamas to develop an oil palm plantation on approximately 2,458 Ha of NCR land within the Sawai Land District, Ulu Sungai Niah, Miri Division. This project is a joint venture between the local natives, SLDB as their trustee and also investor, and BLD.

The joint venture provides opportunity for BLDP Group to increase its plantation land without having to incur substantial initial outlays for land purchase. Hence, BLDP Group is able to utilise its funds for other productive means.

The joint venture plantation land is located next to the existing BLD's plantation estates and therefore will provide economies of scale for BLDP Group in terms of savings in administrative and transportation costs. The project will also provide employment opportunities for the NCR landowners and their family.

5.6 Principal Markets and Market Position

The CPO and PK produced by BLD are sold to BEO, which is currently the major palm oil refinery in Sarawak. The refinery is located in Bintulu, Sarawak which is about 140 km by road from BLD's mill. BEO has been the customer of BLD for the past seven (7) years and to-date, BLDP Group has not encountered any major problem with BEO.

Large scale oil palm plantation is a capital intensive venture as substantial capital outlays are required for acquiring and developing plantation land. Accordingly, the palm oil industry is characterised by a few large oil palm companies/ groups/ government schemes/ agencies. Many medium-sized/ smaller oil palm plantations, including those by smallholders, often spring up around these large plantations to capitalise on the infrastructure set up by the larger oil palm plantations. Currently, there are forty-one (41) companies listed on the Plantation Sector of the Main Board of the KLSE (*Source : KLSE Website, www.klse.com.my*).

In terms of plantation area, approximately 60% and 31% of the oil palm cultivations are operated by private estates and government schemes and agencies, respectively. The remaining 9% is held by smallholders. As at end 2002, the total BLDP Group's plantation area of approximately 40,000 Ha represents approximately 10% and 1% of total plantation areas in Sarawak and Malaysia, respectively. In 2002, the total CPO production for Malaysia was approximately 11 million MT, and for Sarawak was approximately 700,000 MT. In the same year, the total CPO production of BLDP Group was approximately 64,000 MT, representing approximately 0.5% of the total Malaysian CPO production, and approximately 9% of the Sarawak production.

(Source : Information on industrial average for Sarawak and Malaysia is sourced from MPOB website at www.mpob.gov.my while information on BLDP Group is sourced from the management of BLDP Group)

5.7 Modes Of Marketing

BLD Group enters into yearly sale and purchase agreements with BEO for the supply of CPO and PK to BEO. The CPO and PK are sold based on monthly weighted average price announced by MPOB. The anticipated monthly volume of sales is made known to BEO at least fifteen (15) days before the delivery.

Marketing promotions of palm oil products to overseas markets are normally done by the Malaysian Government. The government has undertaken many marketing promotion, research and development activities for palm oil through two of its regulatory bodies namely MPOB and MPOPC.

5. BUSINESS OVERVIEW (cont'd)**5.8 Major Customers**

BLDP Group's major customers for the financial year ended 31 December 2002 as set out below :-

Customers	Nature of business	% of total revenue for year ended 31.12.2002	Years of Relationship
BEO	Sales of CPO, PK	89.9%	7
Rimba Istimewa Sdn Bhd	Logs sales *	4.8%	2
KTS Trading Sdn Bhd #	Logs sales *	4.0%	7

Notes:-

BLDP Group is currently dependent on BEO for the sales of CPO and PK. The risk factors relating to the reliance on BEO is set out in Section 3.4 of this Prospectus.

* the sale of timber logs and sawn timber are expected to cease after 2004

this company is related to BLDP Group by virtues of having common Substantial Shareholder and Directors. The details of these related party transactions are set out in Section 10.1 and 10.2 of this Prospectus

5.9 Major Suppliers

BLDP Group has long-term relationships with its suppliers mainly for the procurement of FFB, fertilizers, chemicals, spare parts, equipment, consumables and et cetera for the plantation estates and for contract logging. BLDP Group is not dependent on any single supplier. BLDP Group's largest suppliers for the financial year ended 31 December 2002 are set out in the table below :-

Suppliers	Nature of business	% total of purchases for year ended 31.12.2002	Years of Relationship
Gayanis Sdn Bhd #	Supply of FFB	14.0%	4
KTS Trading Sdn Bhd #	Supply of fertilizers, chemicals, spare parts, equipment and consumables	13.3%	7
Seatex Development Sdn Bhd	Supply of FFB	12.2%	4
Rimba Istimewa Sdn Bhd	Contractor	9.5%	4
Wawasan Oil Palm Industries Sdn Bhd	Supply of FFB	8.3%	4
Tawakal Sejati Sdn Bhd	Supply of FFB	6.1%	1
Wawasan Sedar Sdn Bhd #	Supply of FFB	5.9%	2

Note:-

These companies are related to BLDP Group by virtues of having common Substantial Shareholder and/or common Directors. The details of these related party transactions are set out in Section 10.1 and 10.2 of this Prospectus

5. BUSINESS OVERVIEW (cont'd)

5.10 Locations Of Operation

BLDP Group's principal locations of operation are as follows :-

Purpose	Address	Area
Head office	Level 6, Crown Towers, No. 88, Jalan Pending, 93450 Kuching, Sarawak	1,820 square feet (169.08 square metre)
Miri Office	Level 3, Wisma Rela Aman, Lot 1301, Block 9, MCLD, Miri Water Front P.O.Box 1577, 98008 Miri, Sarawak	5,489 square feet (509.94 square metre)
Mill	Lot 40, Sawai Land District 98008 Miri, Sarawak	3,550 square feet (330 square metre)

The locations of BLDP Group's plantation estates are disclosed in Section 5.1 of this Prospectus.

5.11 Quality Control

BLD's milling and plantation processes are governed by a strict quality control system. Every stage in the processes is guided by its own set of quality control procedures and work instructions as outlined in the plantation operation manuals. As quality of FFB input determines the mill's performance, FFB are graded by bunch weight, ripeness and year of planting in accordance to MPOB's recommended guidelines and practices. Graders are trained to identify the various categories of FFB classifications. The FFB grading reports generated are sent as feedback to suppliers of FFB for control purpose.

Quality control practised by the management to ensure the optimal harvesting rounds, cutting the ripe fruit bunches and collecting loose fruit and the prompt delivery of FFB to mill are important. In addition, the mill management grades the FFB received by them and provide feed back to plantations on their grading results for necessary action. Coordination and cooperation between the plantation and mill management in FFB quality control is vital for achieving good OER.

Samples of CPO and PK produced are taken from the mill on an hourly basis and analysed by BLD's laboratory in accordance to guidelines published by MPOB. This is to ensure that the CPO and PK produced comply with relevant standards and technical specifications, especially the levels of acidity, moisture and impurities in the CPO and PK. Other samples from the intermediate process line are also taken to check the operation conformities to the specifications and control parameters. Before delivery to the refinery, CPO and PK are checked again for quality on each tanker load. The quality of raw water, treated water, boiler water and treated effluent are also checked on a daily basis in order to maintain proper control.

In addition, BLDP Group has taken the following measures to ensure quality products :-

- The FFB crop harvested from the oil palm plantation is dispatched to the palm oil mill on the same day to minimise spoilage;
- The handling of the FFB at the ramp is minimised to reduce oil losses and to achieve lower levels of FFA;
- The sterilization cycle selection is based on crop ripeness. A longer sterilization time will be selected for unripe and extraordinary big bunches to ensure that the steam permeates into the core thoroughly, which in turn facilitates the subsequent threshing process. A shorter sterilization time is selected for overripe and small bunches;
- Digestion efficiency is checked closely as poorly mashed fruitlets give rise to higher oil losses in the extraction units while excessive digestion will lead to reduced pressing efficiency;

5. BUSINESS OVERVIEW (cont'd)

- ❑ Effluent treatment system is consistently monitored to ensure proper operation. Pond samples are taken daily and tested for degradation efficiencies. These sample are analysed on a monthly basis by an independent qualified professional environment impact assessment consultant and the results are counter checked with the acceptable variance.
- ❑ For the storage of CPO and PK, circulation, ventilation and temperature are constantly checked and controlled to maintain their freshness;
- ❑ All the milling processes are closely monitored to ensure minimal losses in the processing lines; and
- ❑ All machineries are under stringent maintenance programmes to ensure operational efficiency.

Quality control is done on FFB prior to processing by the mill. Rejection is negligible, amount to less than 100 MT per annum (only approximately 0.035% of the total FFB input for 2002). Rejected FFB that are purchased from outside suppliers are sent back to them whereas the rejected FFB from BLDP Group own plantations are discarded.

The mill has always achieved the desired quality of CPO and there has been no rejection of CPO by the buyer.

BLDP Group regularly engages professional agronomists and plantation consultants to conduct analyses and studies on the palm nutrient status, palm leaves, palm appearance, ground conditions, pests and diseases, EFB application, pruning, yields, manuring plan and fertiliser programme.

5.12 R&D

BLDP Group realises that in order to remain competitive in the industry, R&D will be highly beneficial.

BLDP Group's R&D objectives are as follows :-

- ❑ To improve FFB yield through improved agronomic management practice, including optimal fertilizer usage;
- ❑ To carry out in-house fertilizer, soil and foliar analysis;
- ❑ To improve OER and KER through improved milling practice and reduce losses in the process;
- ❑ To research into better recovery method from EFB & POME; and
- ❑ To research into potential and beneficial usage of EFB & POME.

BLD's palm oil mill currently has a modern laboratory that is about 1,000 square feet for R&D purposes. The laboratory is capable of analysing all milling process parameters such as FFA, oils content, moisture, kernel qualities and bio-chemical oxygen demand. It also has an engineering workshop capable of all fabrication, welding and machining work. The mill is also constantly researching into new process systems so that once a system is proven to be effective, it can be applied to the mill to enhance its operational capability and efficiency.

In collaboration with Curtin (Malaysia) Sdn Bhd (operator of Curtin University of Technology, Miri Campus), BLD is conducting a two-year research into POME de-oiling and suspended solid removal system to recover emulsified oil suspended in POME before discharge to POME treatment system.

BLDP Group has also benefited, directly and indirectly, from various research undertaken by various government agencies like MPOB which has enabled BLDP Group to increase the quantity and improve the quality of its products. BLDP Group works closely with MPOB in the R&D activities and has provided input and support to these activities. From time to time, BLDP also engages external research specialists to conduct specialised research and analytical works which are not economical for BLDP Group to undertake on its own as these works require special skills.

5. BUSINESS OVERVIEW (cont'd)

5.13 Mill Efficiency

For the past few years, BLD has consistently achieved CPO OER exceeding 21%. For the year 2002, BLD has achieved an average OER of 22.77%. The average OER of BLD for the first three (3) months of 2003 was 22.48%. BLD has been awarded the Excellence Awards for this achievement several times by PORLA and MPOB.

5.14 Strengths and Competitive Advantages

The directors of BLDP Group believe that the strengths and competitive advantages of BLDP Group are as follows:

(i) Availability of existing resources for future expansion

Currently, BLDP Group has a total estimated plantation land of 40,728 Ha in the State of Sarawak. As at end March 2003, approximately 14,100 Ha of the land area has been developed and approximately 12,200 Ha are planted, of which approximately 8,200 Ha are mature plantation. The large proportion of immature area will enable BLDP Group to increase FFB production in the next few years from the increasing mature hectareage and higher yields with the age of the palms. This is expected to improve the earning capacity of BLDP Group in the next few years. In addition, for the planted areas, major capital expenditures have already been incurred and therefore, future capital expenditures in these areas will be minimal but FFB yields will be increasing. This is positive for BLDP Group's future earning capacity.

(ii) Capability to diversify

BLD's successful diversification from timber business to plantation business is a testimony of BLDP Group's ability to identify and venture into commercially viable new business opportunities.

By liaising with MPOB and other researchers, BLDP Group is able to combine the latest technology developed with its experience and knowledge in plantation and palm oil mill industries to identify commercially viable products for vertical diversification by setting up related facilities to manufacture and market these products.

(iii) Experienced management team

BLDP's Directors and senior management have extensive experience in the management of plantation operations. They are aptly supported by experienced management team.

(iv) Strategic location of plantation estates, palm oil mill and the proposed site for the palm oil refinery

BLDP Group's mineral soil plantations are located between Miri-Bintulu towns and are easily accessible by good roads, enabling dispatch of CPO and supplies such as fertilisers at relatively low transportation cost.

BLD's mill is strategically surrounded by oil palm estates. Due to its good reputation, financial strength and competitive pricing, the mill enjoys a strong stream of FFB supply from neighbouring estates which do not have any mill.

In addition, the proposed site for Kirana's refinery is strategically located close to Bintulu Port which will handle exports of all palm oil products for the Bintulu-Miri region in Sarawak.

5. BUSINESS OVERVIEW (cont'd)

(v) Capability to increase yield and efficiency

For its existing mature plantation, BLDP Group has relatively young oil palm trees, and therefore, its FFB yields are expected to be high over the next ten (10) to fifteen (15) years. BLDP Group is currently not required to perform any replanting because of relatively young oil palm trees.

BLDP Group also uses planting methods such as mechanisation, mulching and fertilisation, as well as quality planting materials in order to improve the FFB quality and yields, and to reduce its planting and operating costs.

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