2. INFORMATION SUMMARY

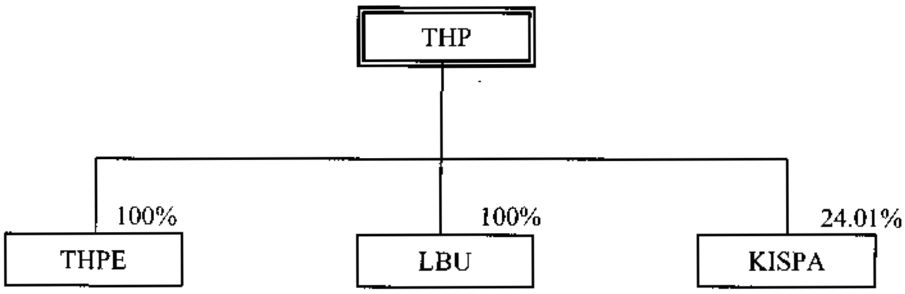
This section is only a summary of the salient information about us and the Initial Public Offering and is extracted from the full text of this Prospectus. You should read and understand this section together with the whole Prospectus before you decide whether to invest in us.

2.1 History and Business

Our Company was incorporated in Malaysia as a private limited company on 28 August 1972, under the Act as Perbadanan Ladang-Ladang Tabong Haji Sendirian Berhad. On 15 September 1997, our Company's name was changed to TH Plantations Sdn Bhd. Our Company was subsequently converted into a public limited company on 26 May 2005 and is now known as TH Plantations Berhad.

The principal activities of THP are investment holding, cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB and provision of management services. The details of the principal activities of our subsidiaries and associated company are set out below.

The corporate group structure of our Group is set out below:



The details of our subsidiaries and associated company are as follows:

Name	Date & country of incorporation	Issued & paid-up share capital	Par Value RM	Direct equity interest %	Principal Activities
LBU	18.02.89/ Malaysia	25,000,000	1.00	100.00	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB
THPE	14.08.79/ Malaysia	5,652,868	1.00	100.00	Cultivation of oil palm and selling of FFB
KISPA	12.06.80/ Malaysia	7,600,000	1.00	24.01	Processing of FFB and marketing of CPO and PK

Further details on our Group are set out in Section 7 of this Prospectus.

2. INFORMATION SUMMARY *(Continued)*

2.2 Shareholdings of Promoter, Substantial Shareholder, Directors and Senior Management

The direct and indirect shareholdings of the promoter, substantial shareholder and senior management before and after the completion of the IPO assuming all our eligible Directors and senior management personnel were to accept the Offer Shares made available to them are as follows:

		Before IPO				After IPO#			
		Direct		Indirect		Direct		Indirect	
Name	**Designation**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**
Promoter/ Substantial shareholder (holding 5% or more)									
LTH	Promoter/ Substantial shareholder	190,000,000	96.89	-	-	117,800,000	60.07	-	-
Directors									
Tan Sri Datuk Dr Yusof bin Basiran	Independent Non-Executive Chairman	-	-	-	-	2,000	*	-	-
Dato' Che Abdullah @ Rashidi bin Che Omar	Managing Director	-	-	-	-	2,000	*	-	-
Datuk Dr Abdul Samad bin Haji Alias	Independent Non-Executive Director	-	-	-	-	2,000	*	-	-
Datuk Azizan bin Abd Rahman	Independent Non-Executive Director	-	-	-	-	2,000	*	-	-
Ismee bin Ismail	Non-Independent Non-Executive Director	-	-	-	-	2,000	*	-	-
Dato' Wan Zakaria bin Abd Rahman	Independent Non-Executive Director	-	-	-	-	2,000	*	-	-
Md Yusof bin Hussin	Independent Non-Executive Director	-	-	-	-	2,000	*	-	-
Syed Hood bin Syed Edros	Independent Non-Executive Director	-	-	-	-	2,000	*	-	-

2. INFORMATION SUMMARY *(Continued)*

		Before IPO				After IPO#			
		Direct		Indirect		Direct		Indirect	
Name	**Designation**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**
Senior Management									
Hassan Fikri bin Mohamad	Head of Operations (Domestic)	-	-	-	-	2,000	*	-	-
Zainal Azwar bin Zainal Aminuddin	Head of Operations (Overseas)	-	-	-	-	2,000	*	-	-
Azmi @ Sohaimi bin Mohd Salleh	Head of Audit	-	-	-	-	2,000	*	-	-
Mohamed Azman Shah bin Ishak	Senior General Manager (Finance)	-	-	-	-	2,000	*	-	-
Mhamod bin Mokhtar	Senior General Manager (General Administration)	-	-	-	-	2,000	*	-	-
Ilyas bin Sulaiman	Planting Advisor (Peninsular)	-	-	-	-	2,000	*	-	-
Syed Ali bin Syed Idrus	Planting Advisor (Sabah & Sarawak)	-	-	-	-	2,000	*	-	-
Radin Rosli bin Radin Suhadi	Planting Advisor (PTMGI 1)	-	-	-	-	2,000	*	-	-
Mat Saad bin Ramli	Planting Advisor (PTMGI 2)	-	-	-	-	2,000	*	-	-
Dr Darus bin Ahmad	General Manager (Forestry and Agronomy)	-	-	-	-	2,000	*	-	-
Ir. Ramli bin Mohd Tahar	Group Engineer (Domestic)	-	-	-	-	2,000	*	-	-

2. INFORMATION SUMMARY *(Continued)*

		Before IPO				After IPO#			
		Direct		Indirect		Direct		Indirect	
Name	Designation	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Marzuki bin Abd Rahman	Group Engineer (PTMGI)	-	-	-	-	2,000	*	-	-
Roslan bin Baba	Director of Finance (PTMGI)	-	-	-	-	2,000	*	-	-
Aliatun binti Mahmud	Deputy General Manager (Legal and Secretarial)	-	-	-	-	2,000	*	-	-
Maizura binti Mohamed	Deputy General Manager (Corporate Planning)	-	-	-	-	2,000	*	-	-
Othman bin Somadi	Deputy General Manager (Marketing)	-	-	-	-	2,000	*	-	-

Notes:

* *Negligible*

\# *The shareholdings of the Directors and Senior Management include the number of shares to be allocated to them under the Preferential Share Allocation assuming that they fully subscribe for their respective entitlement.*

See Section 9 for further information on our promoter, substantial shareholder, Directors and senior management.

2. INFORMATION SUMMARY *(Continued)*

2.3 Financial Highlights

The table below sets out a summary of the proforma consolidated results of our Group for the past five (5) financial years ended 31 December 2005 based on the assumption that our Group had been in existence throughout the years under review. The proforma consolidated results are presented for illustrative purposes only and should be read together with the accompanying notes and assumptions included in the Accountants' Report set out in Section 14.

	<--------------------	------	Year ended 31 December	------	--------------->
	2001	**2002**	**2003**	**2004**	**2005**
	RM 000	**RM 000**	**RM 000**	**RM 000**	**RM 000**
Revenue	78,312	119,591	140,883	145,736	112,047
Other income – management fees	60	60	7,159	8,052	12,505
EBITDA	11,986	40,767	62,620	63,023	52,041
Depreciation	(6,961)	(6,850)	(6,705)	(6,966)	(7,354)
Finance cost	(120)	(121)	(347)	-	-
Share of profit/(loss) from associated company	439	(11)	25	77	31
PBT	5,344	33,785	55,593	56,134	44,718
Taxation	(1,663)	(9,355)	(14,567)	(15,485)	(12,574)
Zakat	-	-	(1,045)	(1,036)	(959)
PATAMI	3,681	24,430	39,981	39,613	31,185
No. of ordinary shares in issue (000)	50,000[1]	50,000[1]	50,000[1]	50,000[1]	196,094
Gross EPS (sen)	11[2]	68[2]	111[2]	112[2]	23
Net EPS (sen)	7[3]	49[3]	80[3]	79[3]	16

Notes:

1. *Being the number of shares in issue before the Scheme.*
2. *Based on PBT divided by the number of shares in issue before the Scheme.*
3. *Based on PATAMI divided by the number of shares in issue before the Scheme.*
4. *There were no extraordinary nor exceptional items during the financial years under review.*

Our consolidated financial statements above have been reported by our auditors without any qualification for the financial years under review.

2.4 Proforma Consolidated Balance Sheets of our Group as at 31 December 2005

We have prepared our proforma consolidated balance sheets below for illustrative purposes only and is based on our audited consolidated balance sheet as at 31 December 2005 to illustrate the effects of our Scheme. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the full set of the proforma consolidated balance sheets set out in Section 13.6.

	Audited as at 31.12.2005 RM 000	Proforma I After OFS RM 000
Property, plant and equipment	107,875	107,875
Plantation development expenditure	5,841	5,841
Associated company	550	550
Current assets		
Inventories	2,670	2,670
Trade and other receivables	44,031	19,592
Cash and cash equivalents	43,476	34,866
	90,177	57,128
Current liabilities		
Trade and other payables	26,703	26,703
Dividend payable	31,049	-
Taxation	2,432	2,432
	60,184	29,135
Net current assets	29,993	27,993
	144,259	142,259
Financed by		
Share capital	98,047	98,047
Share premium	2,000	-
Retained profits	24,093	24,093
Shareholders' fund	124,140	122,140
Minority shareholders' interest	-	-
Long term and deferred liabilities		
Deferred taxation	20,119	20,119
	144,259	142,259
NTA per share (RM)	0.63	0.62
Number of shares in issue (000)	**196,094**	**196,094**

See Section 13.3 for further details on the Adjustments and Proforma Consolidated Balance Sheets of our Group as at 31 December 2005.

2.5 Principal Statistics Relating to our IPO

(i) Share Capital

The information on our share capital are as follows:

	RM
Authorised	
200,000,000 Shares	100,000,000
Issued and fully paid-up	
196,094,000 Shares	98,047,000
To be offered for sale pursuant to the OFS	
74,515,700 existing Shares	37,257,850

We only have one (1) class of shares, namely ordinary shares of RM0.50 each, all of which rank equally with one another. The Offer Shares will rank equally in all respects including as to voting rights and rights to all dividends and distributions subsequent to the date of the allotment. See Section 17.1 for further information on our share capital.

(ii) Offer Price per our Share (RM) 1.25

(iii) Proforma NTA of our Group as at 31 December 2005

Proforma Group NTA (RM 000) *(after deducting listing expenses of RM2,000,000)*[1]	122,140
Proforma Group NTA per ordinary share (RM) *(Based on the issued and paid-up share capital of 196,094,000 ordinary shares of RM0.50 each)*	0.62

(iv) Consolidated Profit Forecast

Financial year ending 31 December	**Forecast 2006**
Consolidated PBT after MI (RM 000)	44,614
Consolidated PATAMI (RM 000)	30,825
Gross EPS (sen)[2]	22.75
Net EPS (sen)[2]	15.72
Net PE Multiple (times)	7.95

Notes:

1. *Estimated listing expenses to be borne by us.*
2. *Based on the issued and paid-up share capital of 196,094,000 ordinary shares of RM0.50 each.*

See Sections 13.6 and 13.11 for further information on the consolidated profit forecast of our Group and our Reporting Accountants' letters.

(v) Dividend Forecast

It is the policy of our Directors in recommending dividends to allow shareholders to participate in the profits of our Group as well as retaining adequate reserves for the future growth of our Group.

Our Board will take into consideration the following factors and the financial position of the Group in recommending and determining the level of dividend payments, if any, in any particular financial year or period:

- our level of cash, gearing, return on equity and retained earnings;
- the availability of tax credits to frank dividends;
- projected levels of capital expenditure; and
- our investment plans.

Our Company intends to distribute approximately 50% of our Group's annual PATAMI to our shareholders after taking into consideration the factors outlined above.

Based on the forecast consolidated profit after taxation for the financial year ending 31 December 2006, our Directors anticipate that in the absence of unforeseen circumstances, our Company will be in the position to propose a final gross dividend of 8.00 sen per ordinary share, based on the issued and paid-up share capital of 196,094,000 ordinary shares of RM0.50 each.

Financial year ending 31 December	**Forecast 2006**
Gross dividend per ordinary share (sen)[1]	8.00
Gross dividend yield based on offer price of RM1.25 per ordinary share (%)	6.40
Net dividend per ordinary share (sen)[1]	5.76
Net dividend yield based on the offer price of RM1.25 per ordinary share (%)	4.61
Net dividend cover (times)[2]	2.73

Notes:

1. *Based on the issued and paid-up share capital of 196,094,000 ordinary shares of RM0.50 each.*
2. *Dividend cover is computed based on the consolidated profit after taxation attributable to shareholders over the net dividend.*
3. *This excludes dividends that have been declared prior to the issuance of this Prospectus.*

See Section 13.8 for further information on the dividend forecast of our Company.

2.6 Risk Factors

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations below. The following is only a summary of the risks and investment considerations and is not an exhaustive list of challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares. See Section 5 for detailed information on the risks in investing in our Company.

Risks relating to our Shares and the business and operations of our Group:

(i) There has been no prior trading market for our Shares and a market for our Shares may not develop;

(ii) We are subject to the risks inherent in the plantation industry;

(iii) The industry we are in is subject to its industry life cycle;

(iv) Our plantation yield is an important factor in our profitability;

(v) We are subject to the fluctuation in demand for and prices of edible oils and fats which are outside of our control;

(vi) We may face competition from substitute products and other competitors;

(vii) We are dependent on our labour force;

(viii) Pests and diseases may affect our operations;

(ix) Bad weather conditions may affect our operations;

(x) We are subject to risks associated with breakout of fire, energy crisis and other emergency risks;

(xi) We are dependent upon our key personnel;

(xii) We are reliant upon particular suppliers;

(xiii) We are reliant upon particular customers;

(xiv) Our insurance coverage may not be sufficient to cover possible losses of profits due to interruptions to our operations;

(xv) A significant interruption in our operations could reduce our production;

(xvi) We are dependent on political, economic and government regulations which are outside our control;

(xvii) We are subject to environmental laws as well as environmental risks;

(xviii) We may be influenced by our substantial shareholder;

(xix) We are subject to foreign exchange risk;

(xx) Our actual results may vary significantly from the profit forecast in this Prospectus;

(xxi) Our forward-looking statements may not be accurate; and

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

The above risk factors are elaborated in Section 5 of this Prospectus.

2.7 Use of Proceeds from the IPO

The proceeds from the IPO, which are dependent on the total number of our Offer Shares successfully accepted, will go entirely to the Offerors. Assuming that all of our Offer Shares are accepted, the Offerors will receive gross proceeds of approximately RM93.145 million.

2.8 Working Capital, Material Litigation, Capital Commitment, Indebtedness and Contingent Liabilities

(i) Working Capital

Our Directors are of the opinion that, after taking into consideration the cashflow position of our Group, our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus for our foreseeable requirements.

(ii) Material Litigation

None of the members of our Group is engaged in any material litigation either as plaintiff or defendant and the Directors do not know of any proceedings pending or threatened against any member of our Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the position of any member of our Group.

(iii) Capital Commitment

As at 31 December 2005, our Group's capital commitment is as follows:

	As at 31 December 2005 RM 000
Property, plant and equipment authorised but not provided for	8,695
PDE authorised but not provided for	3,286

(iv) Indebtedness and Contingent Liabilities

As at 28 February 2006, our Directors are not aware of any indebtedness and contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net asset value of our Group.

3. INTRODUCTION

This Prospectus is dated 23 March 2006.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the application forms with the ROC, who takes no responsibility for contents.

We have received the SC's approval on 25 August 2005 in respect of the IPO. Further, THP is classified as Syariah-approved by the SAC of SC based on the latest twelve (12)-month audited financial statements and shall remain valid from the date of issue of this Prospectus until the next Syariah compliance review is undertaken by the SAC of SC and the new status is released in the updated list of Syariah-approved securities on the last Friday of either April or October of each year.

The approval of the SC shall not be taken to indicate that the SC recommends the IPO.

On 15 August 2005, we obtain the approval-in-principle from Bursa Securities for the admission and permission to deal in and for the listing of and quotation for our entire share capital, including the Offer Shares, which are the subject of this Prospectus, on the Main Board of Bursa Securities failing which, any allotment made on an application to subscribe for the Offer Shares pursuant to this Prospectus will be void pursuant to Section 52(1) of the Securities Commission Act, 1993. Our Shares will be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment will be despatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the Offer Shares directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Bursa Securities Listing Requirements, at least 25.0 percent of our issued and paid-up share capital must be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO. We expect to meet the public shareholding requirement at the point of Listing. If we do not meet the public shareholding requirement, we may not be allowed to proceed with the Listing. In such an event, we will return in full, without interest, monies paid in respect of all applications.

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

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Offer Share in any jurisdiction and in any circumstance in which such an offer or invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an offer or invitation.

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

4. PARTICULARS OF THE IPO

4.1 Opening and Closing of Applications

Our Directors and our Managing Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time for applications for the IPO to any later date or dates. We will announce any extension of the IPO in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia. If the IPO is extended, the dates for the allotment of the Offer Shares and our Listing will be extended accordingly.

4.2 Indicative Timetable

The indicative timing of events leading to our Listing are set out below:

Events	Date
Issuance of the Prospectus/Opening date of the IPO	23 March 2006
	Tentative Dates
Last date and time for application and payment/Closing date of the IPO#	5 April 2006
Date for balloting of application for the Offer Shares*	10 April 2006
Allotment of our Shares to successful applications of the Offer Shares	25 April 2006
Listing Date	27 April 2006

Notes:

\# *The application for the Offer Shares will remain open until 5 p.m. on 5 April 2006 or such further date as our Directors and our Managing Underwriter may in their absolute discretion decide. Should the closing date of the application be extended, the dates for the balloting, allotment of the Offer Shares and listing of and quotation for the entire issued and paid up share capital of our Company on the Main Board of the Bursa Securities would be extended accordingly.*

* *In the event the OFS is oversubscribed.*

4.3 Share Capital

The details of our Shares are as follows:

	RM
Authorised	
200,000,000 Shares	100,000,000
Issued and fully paid-up	
196,094,000 Shares	98,047,000
To be offered for sale pursuant to the OFS	
74,515,700 existing Shares	37,257,850

There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each.

The Offer Shares will be equally ranked in all respects with the other existing issued and paid-up ordinary shares of our Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of allotment of the Offer Shares.

Subject to any shares that may be issued by our Company in the future, the shareholders of ordinary shares in our 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 our Company as dividends and other distributions and the whole of any surplus in the event of liquidation of our Company, in accordance with our Articles of Association.

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

4.4 Objectives of the IPO

The objectives of the IPO are as follows:

(i) To obtain a listing of and quotation for the entire issued and paid-up share capital of our Company on the Main Board of Bursa Securities;

(ii) To enable our Company to gain access to the capital market in order to tap external sources of equity funds and borrowings for future expansion and continued growth; and

(iii) To provide an opportunity for LTH Depositors, eligible directors of our Group and LTH, eligible employees of our Company and LTH and the Malaysian public to benefit directly from the continuing growth of our Group by way of equity participation.

4.5 Details of the IPO

The Offerors will undertake an OFS of 74,515,700 of our Company's shares at an offer price of RM1.25 per share in the following manner:

(a) 41,071,600 Offer Shares will be made available for application by LTH Depositors;

(b) 19,609,400 Offer Shares will be made available for application by way of private placement to the identified Islamic Institutions;

(c) Up to 4,030,000 Offer Shares will be made available for application by eligible directors of our Group and LTH and eligible employees of our Company and LTH; and

(d) 9,804,700 Offer Shares will be made available for application by the Malaysian public.

The criteria of eligibility for applicants under Section 4.5(a) above, are as follows:

- Must be at least eighteen (18) years of age or more at the date of the Prospectus; and
- Depositors' account must be in active account status as at the date of this Prospectus, whereby the accounts must have had a transaction within the last seven (7) years.

The criteria of eligibility for applicants under Section 4.5(c) above are set out in Section 4.6 of this Prospectus.

The Offer Shares allocated under Section 4.5(a) will be made available for application by the LTH Depositors, and will be allocated via ballot.

The Offer Shares allocated under Section 4.5(b) will be placed out to Islamic Institutions which will specify the number of shares they would be prepared to subscribe for.

Any Offer Shares under Section 4.5(c) not taken up will be made available for application by the LTH Depositors under Section 4.5(a).

In the event of under-application by the eligible employees and directors under Section 4.5(c) and a corresponding over-application by the LTH Depositors under Section 4.5(a), the Offer Shares may be clawed back from those allocated to eligible employees and directors and be reallocated to LTH Depositors. If the under-application by the eligible employees and directors is greater than the over-application by the LTH Depositors and there is a corresponding over-application by the Malaysian public under Section 4.5(d), the difference between the under-application by the eligible employees and directors and the over-application by the LTH Depositors may be reallocated to the Malaysian public.

In the event of under-application by the Islamic Institutions under Section 4.5(b) and a corresponding over-application by the LTH Depositors under Section 4.5(a), the Offer Shares may be clawed back from those allocated to Islamic Institutions and be reallocated to the LTH Depositors. If the under-application by the Islamic Institutions is greater than the over-application by the LTH Depositors and there is a corresponding over-application by the Malaysian public under Section 4.5(d), the difference between the under-application by the Islamic Institutions and the over-application by the LTH Depositors may be reallocated to the Malaysian public.

In the event of under-application by the LTH Depositors under Section 4.5(a) and a corresponding over-application by the Islamic Institutions under Section 4.5(b), the Offer Shares may be clawed back from those allocated to the LTH Depositors and be reallocated to Islamic Institutions. If the under-application by the LTH Depositors is greater than the over-application by the Islamic Institutions and there is a corresponding over-application by the Malaysian public under Section 4.5(d), the difference between the under-application by the LTH Depositors and the over-application by the Islamic Institutions may be reallocated to the Malaysian public.

In the event of under-application by the Malaysian public under Section 4.5(d) and a corresponding over-application by the LTH Depositors under Section 4.5(a), the Offer Shares may be clawed back from those allocated to the Malaysian public and be reallocated to the LTH Depositors. If the under-application by the Malaysian public is greater than the over-application by the LTH Depositors and there is a corresponding over-application by the Islamic Institutions under Section 4.5(b), the difference between the under-application by the Malaysian public and the over-application by the LTH Depositors may be reallocated to the Islamic Institutions.

The offer price of RM1.25 per Offer Share is payable in full upon application.

All the Offer Shares stated above have been fully underwritten at a managing and underwriting commission of 1.6% of the offer price of RM1.25 per Offer Share. Further details of the underwriting are set out in Section 4.10.

There is no minimum subscription to be raised from the OFS.

4.6 Allocation to the Eligible Directors of our Group and LTH and Eligible Employees of our Company and LTH

Eligible directors of our Group and LTH and eligible employees of our Company and LTH are allocated an aggregate of 4,030,000 Offer Shares. LTH employees who are currently employed under the terms and conditions of LTH and THP employees who are currently employed under the THP's Scheme of Service are eligible for the allocation of the Offer Shares set out in Section 4.5(c) above.

The allocation to our eligible directors are as set out below.

(i) Eligible Directors of LTH are allocated as follows:

	No. Of our Shares
Tan Sri Dato' Zainol bin Mahmood	2,000
Datuk Wira Haji Ahmad Rusli bin Joharie	2,000
Ismee bin Ismail	2,000
Datuk Dr. Abdul Samad bin Haji Alias	2,000
Dato' Haji Muda bin Mamat	2,000
Dato' Dr Nik Norzrul Thani bin Nik Hassan Thani	2,000
Datuk Zamani bin Abdul Ghani	2,000
Prof. Dato' Dr. Abdul Shukor bin Haji Husin	2,000
Dato' Paduka Haji Badruddin bin Amiruldin	2,000
Ibrahim Mahaludin bin Puteh	2,000

(ii) Eligible Directors of our Company are allocated as follows:

	No. Of our Shares
Tan Sri Datuk Dr. Yusof bin Basiran	2,000
Dato' Che Abdullah @ Rashidi bin Che Omar	2,000
Datuk Azizan bin Abd Rahman	2,000
Dato' Wan Zakaria bin Abd Rahman	2,000
Md Yusof bin Hussin	2,000
Syed Hood bin Syed Edros	2,000

(iii) Eligible Directors of our subsidiaries are allocated as follows:

	No. of our Shares
LBU	
Salleh bin Abidin	2,000
THPE	
Mohd Anuar bin Othman	2,000

There are 1,978 eligible employees of THP and LTH as at 28 February 2006.

4.7 Basis of Arriving at the Offer Price

The offer price of RM1.25 per Share was determined and agreed upon by our Directors and CIMB, as the Adviser, after taking into consideration the following factors:

(a) Our Group's operating and financial history and conditions as outlined in Section 7 and Section 13 of this Prospectus;

(b) The prospects of our Group and the oil palm plantation industry as outlined in Section 6 and Section 7 of this Prospectus;

(c) The prevailing market conditions;

(d) The forecast net PE Multiples of 7.95 times based on the forecast net EPS of 15.72 sen for the financial year ending 31 December 2006 was computed using the issued and fully paid-up share capital of 196,094,000 Shares and the offer price of RM1.25 per Share; and

(e) The proforma consolidated NTA of our Company as at 31 December 2005 of RM0.62 per Share.

Investors should also note that the market price of our Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

4.8 Proceeds of the Offer for Sale

Our Company will not receive any proceed from the OFS. The gross proceeds from the OFS amounting to RM93.145 million will go entirely to the Offerors.

Our Company shall bear the listing expenses and fees incidental to the listing of and quotation for the entire issued and paid-up ordinary share capital of our Company on the Main Board of Bursa Securities of approximately RM2 million. The Offerors shall bear the other listing expenses which include but not limited to brokerage, stamp duty, share transfer fees relating to the Offer Shares. The underwriting commission for the Offer Shares shall also be borne by the Offerors.

The estimated listing expenses of approximately RM2 million to be borne by us consist of the following:

	RM 000
Estimated professional fees^	1,750
SC fees and Bursa Securities listing fee	200
Miscellaneous expenses	50
Total	2,000

Note:

^ *Estimated professional fees are fees for services provided in relation to the IPO such as advisory, legal, accounting and valuation.*

4.9 Brokerage

Brokerage is payable in respect of the Offer Shares at the rate of one percent (1%) of the offer price of RM1.25 per share in respect of successful applications which bear the stamp of either CIMB, a member company of the Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or MIH.

4.10 Details of Underwriting Commission and Underwriting Agreement

On 28 September 2005, an underwriting agreement was entered into between the Offerors, CIMB as the Managing Underwriter and the Underwriters as well as our Company. Each Underwriter has severally but not jointly, agreed to underwrite the aggregate of 54,906,300 Offer Shares comprising of:

(a) 41,071,600 Offer Shares to be made available for application by LTH Depositors;

(b) Up to 4,030,000 Offer Shares to be made available for application by the eligible directors of our Group and LTH and our employees and LTH; and

(c) 9,804,700 Offer Shares to be made available for application by the Malaysian public,

at the price of RM1.25 per Offer Share ("Offer Price").

CIMB shall solely and exclusively underwrite the aggregate of 19,609,400 Offer Shares to be made available for application by way of private placement to identified Islamic Institutions at the Offer Price.

The commission for the underwriting of the Offer Shares, which shall be subject to the clawback and reallocation (as further described in Section 4.5 of this Prospectus), is charged at 1.3% of the Offer Price multiplied by the number of Offer Shares underwritten by each respective Underwriters. The Offerors will also pay CIMB as the Managing Underwriter a managing underwriting fee of 0.3% of the Offer Price multiplied by the total number of Offer Shares.

4. PARTICULARS OF THE IPO *(Continued)*

Subject to certain conditions precedent, each of the Underwriter and the Managing Underwriter have agreed to underwrite the subscription for a certain number of Offer Shares of the Offer for Sale.

The salient terms of the underwriting agreement are as set out below:

(a) The underwriting agreement is conditional upon the fulfilment of several conditions on or before the closing of the Offer for Sale ("Closing Date"), which include the following main conditions:

  (i) the registration and lodgement with the SC, of the Prospectus in its final form in accordance with the requirements of the Securities Commission Act, 1993; and

  (ii) the issue of the Prospectus no later than three (3) months (or such other period as the parties may agree in writing) from the date of the underwriting agreement.

(b) If any of the conditions precedent is not satisfied on or before the Closing Date, any of the Underwriters may terminate the underwriting agreement by written notice to the Offerors and the Managing Underwriter not later than three (3) Market Days from the Closing Date.

(c) Any Underwriter may by notice in writing to the Managing Underwriter require the Managing Underwriter to terminate the underwriting agreement and its commitment to underwrite the underwritten shares by giving written notice to the Offerors not later than three (3) Market Days from the Closing Date, if any of the following events shall occur:

  (i) there is any material breach by the Offerors and our Company of any of its representations, warranties, undertakings or material obligations which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of the Underwriters within such number of days as stipulated in the notice given by the Managing Underwriter to the Offerors and/or the Company; or

  (ii) matters have arisen or been discovered which would, if the Offer for Sale was made at that time, render any statement in the Prospectus materially untrue, incorrect, inaccurate or misleading or constitute a material omission therefrom; or

  (iii) if, in the reasonable opinion of all the Underwriters:

    (aa) there shall have been any material adverse change, or development (whether or not permanent), involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of our Company, whether or not arising in the ordinary course of business except as disclosed in the Prospectus; or (bb) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reasons of *Force Majeure* (as defined below) which would have the effect of making any material part of the underwriting agreement incapable of performance in accordance with its terms or which would have or can reasonably be expected to have, a material adverse effect on the success of the Offer for Sale. *"Force Majeure"* is defined to include, amongst others, war, a national emergency declared by the Malaysian government, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking and sabotage which are unpredictable and beyond the reasonable control of the party claiming *force majeure* which could not have been avoided or prevented by reasonable foresight, planning and implementation; or

(cc) there shall have occurred any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters have a material adverse effect on the success of the Offer for Sale and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or

(dd) there shall have been any government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters would have or can reasonably be expected to have, a material adverse effect on the success of the Offer for Sale; or

(ee) 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 Offer for Sale or which has or is likely to have the effect of making any material obligation under the underwriting agreement incapable of performance in accordance with its terms; or

(ff) there is a suspension of trading of all securities on the Bursa Securities for three (3) consecutive Market Days or more; or

(iv) the Offerors and our Company have withheld any information from the Managing Underwriter, which would have or can reasonably be expected to have, a material and adverse effect on the success of the Offer for Sale; or

(v) the Offer for Sale is stopped or delayed for any reason whatsoever; or

(vi) the listing of and quotation for 196,094,000 Shares does not take place within three (3) months from the date of the Prospectus; or

(vii) any government requisition or occurrence of any other similar nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of our Group.

(d) The Offerors and our Company have made several representations, warranties and undertakings under the underwriting agreement to and for the benefit of the Underwriters. Upon any material misrepresentation or material breach of such warranties or failure to perform the undertakings in any material respects coming to the notice of any Underwriter, that Underwriter shall be entitled (but not bound), without prejudice to any other right or remedy which it may have, by notice to the Offerors and/or our Company, following prior consultation with the Offerors and/or our Company, to elect to treat such material misrepresentation or material breach or material failure as releasing and discharging it from obligations under the underwriting agreement.

4.11 Details of Supplemental Underwriting Agreement

On 23 December 2005, a supplemental underwriting agreement was entered into between the Offerors, CIMB as the Managing Underwriter and the Underwriters as well as our Company to amend several terms and conditions of the underwriting agreement.

The salient terms of the supplemental underwriting agreement are as set out below:

(a) The parties agree that as from the execution date of the supplemental underwriting agreement, the underwriting agreement shall be amended as follows:-

(i) Clause 3.1 (b) of the underwriting agreement shall be amended to the following:

"(b) the issue of the Prospectus no later than 31 May 2006 (or such other period as the parties may agree in writing) from the date of this Agreement;"

(ii) The following terms as stated in Clause 3.1 of the underwriting agreement shall be amended to be incorporated in a new Clause 3.1A which shall be stated as follows:

"3.1A Notification to the Managing Underwriter

Within two (2) Market Days after the Closing Date:

a) the Company shall provide a written confirmation on fulfilling the above conditions precedent and deliver it to the Managing Underwriter; and

b) the Offerors shall provide the Underwriting Notice and deliver it to the Managing Underwriter."

(iii) Clause 10.11 of the underwriting agreement shall be amended to the following:

"The Closing Date shall not be later than one (1) month from the date of the issuance of the Prospectus and cannot be changed without the prior written consent of the Managing Underwriter."

4. PARTICULARS OF THE IPO *(Continued)*

(b) Subject to Clause 2 of the underwriting agreement and pursuant to the request of the Underwriters to temporarily suspend the underwriting exposure of the Underwriters in relation to their respective underwriting commitment pursuant to the underwriting agreement ("Underwriting Exposure") for the purpose of freeing up the capital at risk of the Underwriters involved in relation to the Offer Shares, the parties confirm and agree that upon the execution of the supplemental underwriting agreement, the Underwriting Exposure shall be temporarily suspended until the issuance of a notice of recommencement in the form as attached in Schedule 1 of the supplemental underwriting agreement ("Notice of Recommencement") for the Underwriters to recommence their Underwriting Exposure. The Notice of Recommencement shall not be issued without the consultation from the Managing Underwriter and shall be issued not earlier than twelve (12) Market Days prior to the proposed date of issuance of the Prospectus and should be served first to the Managing Underwriter to be followed to the other Underwriters. The Notice of Recommencement shall not be issued if the Kuala Lumpur Composite Index ("KLCI") falls below 810.00 points at the proposed date of issuance of the Notice of Recommencement. For the avoidance of doubt, the determination of the KLCI at the proposed date of issuance of the Notice of Recommencement shall be based on the KLCI at the end of the last Market Day prior to the proposed date of issuance of the Notice of Recommencement.

For the avoidance of doubt, the Offerors and the Company authorise LTH to act on behalf and as an authorised representative of the Offerors and the Company in issuing the Notice of Recommencement.

The Underwriters confirm and agree that the Underwriting Exposure of each of the Underwriters shall automatically recommence upon the issuance of the Notice of Recommencement by LTH.

(c) The parties confirm and agree that notwithstanding the execution of the supplemental underwriting agreement, the parties shall be liable and continue to be liable to perform all the obligations under the underwriting agreement.

The parties further confirm that the underwriting agreement (as varied, amended and/or supplemented by the supplemental underwriting agreement) shall continue to be valid.

The parties also confirm that any further changes, revision and addition to the underwriting agreement and the supplemental underwriting agreement shall be effective only upon the mutual written consent by the parties.

(d) Save as amended by the supplemental underwriting agreement, the provisions of the underwriting agreement shall continue in full force and effect and the underwriting agreement and the supplemental underwriting agreement shall, to the extent applicable, be read and construed as one instrument.

5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

5.1 There has been no prior trading market for our Shares and a market for our Shares may not develop

There is currently no prior trading market for our Shares. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. While the SC has approved the Initial Public Offering and given approval for our Listing, there can be no assurance that our Shares will be accepted for listing and quotation on the anticipated date. We will make an application to Bursa Securities for the quotation of our Shares on the Main Board of Bursa Securities. In the event that our Shares are not admitted to the Official List, we will endeavour to return the monies paid in respect of any application for Shares without interest. See Section 5.22 (Risk Factors - There may be a delay or failure in our Listing).

Our Shares could trade at prices that may be lower than the offer price depending on many factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the markets for similar securities. Neither we nor CIMB have any obligation to make a market for our Shares. There can be no assurance that we will be able to maintain our Listing.

5.2 We are subject to the risks inherent in the plantation industry

As our Group's principal activities are mainly concentrated in the cultivation of oil palm and processing of FFB, marketing of CPO, PK and FFB and provision of management services, our Group is susceptible to certain business risks inherent in the oil palm industry as well as general business risks. These include but are not limited to:

(i) constraints and rising costs of labour supply and raw materials for the plantation and mill operations;
(ii) changes in the world demand for edible oils and fats;
(iii) effects of poor weather;
(iv) commodity price fluctuations;
(v) threat of substitute products; and
(vi) change in the regulatory, economic and business conditions.

Our Group seeks to limit these risks through effective risk management practices. However, there can be no assurance that unfavourable changes in the business environment will not adversely affect the attractiveness or desirability of our Group.

5.3 The industry we are in is subject to its industry life cycle

Oil palm tree produces crop throughout the year but there are seasonal variations. Production also varies with age, condition of the palms, type of soil and weather. Annual FFB yield normally experience a cyclical pattern, with higher yields at intervals of about five (5) years. An exceptionally high yielding year will be followed by gradually low yielding years when the trees produce lower output as a result of a biological reaction after a period of production stress.

Therefore, we cannot guarantee that the fluctuations in production due to seasonal variations as well as biological life cycle would not have any adverse impact on the performance of our Group.

5.4 Our plantation yield is an important factor in our profitability

The yield for oil palm plantations is generally dependent on the terrain, weather and soil as well as the overall management of the plantation.

Historically, our Group's estates have been generating higher FFB yield compared to the average industry yield in Peninsular Malaysia as evidenced in the following:

	<------------------Average FFB Yield (MT/Ha) ------------------>				
	2001	**2002**	**2003**	**2004**	**2005**
Our Group	21.05	20.03	21.99	21.80	20.81
Peninsular Malaysia*	19.17	17.45	19.02	18.05	17.65

Note:

* *Source: www.mpob.gov.my*

However, we cannot guarantee that we will continue to consistently produce higher yield than the industry's average in the future.

5.5 We are subject to the fluctuation in the demand and prices of edible oils and fats which are outside our control

Producers of CPO face competition from other edible oil namely, soya bean and rapeseed. Hence, the price of CPO fluctuates in accordance to the supply of world edible oil and consumers' demand. In 2005, CPO price in Peninsular Malaysia fluctuated, sliding to a minimum of RM1,305 per MT in February and subsequently rising to a maximum of RM1,455 per MT in October. For the year ended 31 December 2005, the average CPO price was RM1,394 per MT.

Our Group constantly analyses and monitors the global demand patterns and trends for edible oil and fats particularly palm oil to make prompt and informed decisions regarding our CPO production and sales. Nevertheless, the prices of CPO and PK are still fundamentally dependent on the demand and supply in the global edible oil and fats market. We cannot guarantee that adverse movements in the demand and supply and prices of CPO and PK will not have an adverse effect in the performance of our Group.

5.6 We may face competition from substitute products and other competitors

As previously mentioned, other edible oil namely soya bean, rapeseed and sunflower oil are direct substitutes of CPO. Nevertheless, palm oil had experienced almost four (4) times growth over the last twenty two (22) years from 1983 to 2004, which was twice the growth rate of other seed oil due to its low production cost and high yield per Ha. Malaysia, being the largest palm oil producer, faces increasing competition from other palm oil producing countries, namely Indonesia and Papua New Guinea which have a lower industry cost structure in terms of labour and raw materials.

With the continued support from the Government including extensive research, development, marketing and promotion undertaken by Government bodies as well as other incentives given to the industry, Malaysian palm oil producers had in the past, expanded their market share in the world vegetable oil market. There is however, no guarantee that this trend will continue in the future.

Locally, our Group competes with other plantation companies in the procurement of suitable plantation land when carrying out expansion plans. With the high growth experienced by the industry within the last few years, cost of suitable plantation lands have increased.

Our Group also competes with other commercial millers for the supply of FFB in the same region. Nevertheless, our Group's mills are strategically located and we are able to source FFB supplies from the surrounding small and medium size plantations which do not have their own mill. The current restrictive policies of Government authorities and MPOB of only approving new palm oil mill licences in line with the availability of FFB supply in the region have reduced the problems of excess capacity.

Details of the other millers within approximately 50 km radius from us are as follows:

<u>List of other palm oil mills in Kluang</u>

Mills	**Distance Km**	**Capacity MT/Hr**
Sindora Palm Oil Mill	7	45
LKTP Ulu Belitong Palm Oil Mill	12	60
KOP Palm Oil Mill	25	30
Bukit Benut Palm Oil Mill	32	20
Coronation Palm Oil Mill	35	90
Kahang Palm Oil Mill	40	54
Sibol Palm Oil Mill	44	30

<u>List of other palm oil mills in Keratong</u>

Mills	**Distance Km**	**Capacity MT/Hr**
Kosfarm Palm Oil Mill	8	60
Keratong 3 Palm Oil Mill	16	60
Sawira Palm Oil Mill	33	60
Dara Lam Soon Palm Oil Mill	35	60
Pukin Palm Oil Mill	40	60
Keratong 9 Palm Oil Mill	6	60

List of other palm oil mills in Gemas

Mills	**Distance Km**	**Capacity MT/Hr**
Kok Foh Palm Oil Mill	30	20
Jeram Padang Palm Oil Mill	25	30
Kampung Tiong Palm Oil Mill	25	45
Gomali Palm Oil Mill	52	45

There is no guarantee however that the competition for the supply of FFB would not have any adverse impact on our Group's financial performance.

5.7 We are dependent on our labour force

The plantation industry is labour intensive. Oil palm plantations require extensive manpower in the nurturing of seedlings, tree planting, manuring, harvesting as well as other routine maintenance work to ensure optimal yield. The oil palm industry has been facing difficulty in recruiting local labour force and therefore has resorted to the employment of illegal foreign plantation workers. The recent Government's crackdown on the employment of illegal workers had exacerbated this problem for the industry in general. However, our Group has always strictly adhered to our policy of employing only legal workers and hence, we are not affected by this problem. Since our Group commenced its oil palm plantation business, labour supply has not been a major problem to our Group or had any significant impact on our operation and results.

In order to attract and retain our workers and employees, our Group provides attractive incentive, benefits, welfare schemes and facilities such as clinic, living quarters, schools and sports amenities for staff members and their families. Our 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 over-dependence on foreign workers, our Group is moving towards mechanisation in many of our plantation practices such as the application of fertiliser and evacuation of FFB. It is envisaged that with mechanisation, our Group will be able to minimise our labour force. Nevertheless, no guarantee 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 our Group.

5.8 Pests and diseases may affect our operations

Oil palm industry is not free from pests and diseases as occasional outbreaks of leaf eating insects such as bagworms and nettle caterpillars are common. During the younger stages of its life, oil palms are susceptible to attacks by pests such as rats, porcupines, wild boars and monkeys as well as rhinoceros beetles.

Our Group takes adequate measures to control the population of pests in its plantation estates by destroying potential breeding grounds of the pests, exterminating the pests by using pesticides and carrying out frequent inspections to ensure that the population of the pests remains below threatening levels. Future damage to oil palms are expected to be minimal as older oil palms are less prone to attacks. Pests such as rats can cause damage to FFB in the mature areas. However, this is mitigated with the use of poison bait.

Despite these measures, no guarantee can be given that large-scale attacks by pests will not occur in the future and thus adversely affecting the performance of our Group.

5.9 Bad weather conditions may affect our operations

Weather has strong effects on FFB production. Effects of severe drought periods will usually result in low crops production after nine (9) months while very wet weather may adversely affect harvesting and evacuation of FFB at the plantations. Weather in Malaysia for the last decade has been affected by open burning within and outside of the country, deforestation due to urban development and agricultural cultivation and weather phenomenon such as El Nino and La Nina.

As we are unable to predict the weather pattern, our management needs to be meticulous and far sighted in planning. The wet weather may adversely affect our harvesting and evacuation of FFB as plantations become inaccessible due to poor road conditions while dry weather may result in low yield.

Although there is no way to regulate rainfall pattern, our management is taking practical steps to mitigate the effect of excessive rainfall or drought. For example, EFB mulching is done and laid out in the field to act as a sponge that would trap water and keep grounds moist to minimise the effect of drought. For example, treated effluent from our oil mill in Kluang is piped to Ladang Gunung Sumalayang estate to fertilise the soil as effluent contains beneficial nutrients and to ensure the field have sufficient moisture content. We had also constructed silt pits in dry area in order to trap water to minimise the effects of dryness to the palms.

Notwithstanding that our management is continuously studying and devising ways to ensure consistent and abundant yield of FFB, there is no guarantee that adverse weather pattern will not have a severe impact on the production of FFB.

5.10 We are subject to risks associated with breakout of fire, energy crisis and other emergency risks

As in any other business enterprise, the breakout of fire, energy crisis and other emergency risks could adversely affect our business operations and financial performance of our Group. For instance, a fire breakout may damage or destroy our Group's oil mill, buildings, plant and machinery while a prolonged breakdown in power supply may disrupt our business operations and progress. To mitigate the risk of fire, our Group places emphasis on proper fire safety procedures being implemented and practised at our premises as well as ensuring that our physical assets (excluding the planted oil palm) have adequate insurance coverage as discussed under Section 5.14 (Risk Factors - Our insurance coverage may not be sufficient to cover possible losses of profits due to interruption to our operations).

5.11 We are dependent on our key personnel

Our Group believes that our continued success will depend to a significant extent upon the abilities and continued efforts of our Directors and senior management. The loss of any key member in our Group could affect our Group's ability to compete effectively in the business and industries that our Group is involved in. Our Group's future success will also depend upon our ability to attract and retain skill personnel and as such, our Group has made efforts to train our staff so as to groom the younger members of our senior management to gradually resume the responsibilities of their predecessors. This is done to ensure a smooth transition in the management team should changes occur and to maintain our Group's continued ability to compete in the oil palm industry.

5.12 We are reliant upon particular suppliers

Seeds Suppliers

The selection of oil palm germinated seeds are crucial in our planting phase as poor quality germinated seeds will affect the future yield, growth rate, survival rate and sustainability of the trees. Our Group uses the industry standard of germinated seeds. Three (3) months lead time is required for any seed procurement from our suppliers, hence the planning of planting activities are vital.

In order to avoid over-reliance on one supplier and ensure consistent and ready supplies of seeds to the plantations, our Group procures seeds from several different reputable companies which include Kumpulan Guthrie Berhad, Golden Hope Plantations Berhad, United Plantations Berhad, IOI Corporation Berhad and Federal Land Development Authority ("FELDA").

Fertiliser Suppliers

Fertiliser cost is a significant component of the plantation industry. For our Group, annual fertiliser cost amounts to approximately one-third of our plantation revenue expenditure. In order to secure consistent and reasonable pricing of fertilisers, procurement of fertilisers are carried out through annual and semi-annual tenders. Tender agreements are then drawn up, stipulating the delivery time of fertiliser throughout the agreement period at a fixed price hence hedging our Group against the fluctuation of fertiliser cost. The tender process also ensures that the fertilisers are procured at competitive prices. Through the tendering process, we are able to secure fertiliser at competitive prices.

FFB Suppliers

The capacity utilisation of our palm oil mills is dependent on the sufficient and consistent supplies of FFB. There are currently approximately six (6) mills in Keratong, seven (7) mills in Kluang and four (4) mills in Gemas, competing with our mills for the supplies of FFB. As our Group's current FFB production is insufficient to cater to our mills, arrangements are made with FFB dealers namely Nilai Megah Sdn Bhd and Maju Jaya Prasarana Sdn Bhd to collect crops from groups of small plantation holders and supply these crops to our mills.

5.13 We are reliant on particular customers

FFB Customers

Approximately 90% of our Group's FFB is processed in our mills with the remaining FFB sold to external parties due to the distance of our estates from our mills. Of the external sales, the bulk of FFB are sold to our Group's associated mill, KISPA and dealers with short to medium term contracts. FFB selling price is based on several parameters which include the mill's OER and KER, its processing cost and MPOB's average CPO and PK prices.

If our Group is unable to sell our FFB to external parties for any reasons, we would transport these FFB to our nearest mills but at a higher cost which would result in lower profit margins.

CPO and PK Customers

Currently, there are approximately thirty six (36) refineries in Peninsular Malaysia. Our Group sells its CPO to established refineries such as Pacific Inter-Link Sdn Bhd, Mewaholeo Industries Sdn Bhd, PGEO Edible Oils Sdn Bhd and Pan Century Edible Oils Sdn Bhd. These refineries have long-term relationship with our Group. Presently, the CPO input requirements for refineries exceeds the available supply of CPO thus the existing refineries in Malaysia still have excess capacity to process additional CPO as the average refining utilisation rate for palm oil refineries in 2005 was 87.72%.

(Source: www.mpob.gov.my)

5.14 Our insurance coverage may not be sufficient to cover possible losses of profits due to interruptions to our operations

Presently, our Group's mills, buildings, plant and machineries are adequately insured against risks such as fire, lightning, breakdowns (for selective machineries) and other perils. However, our Group has not insured our trees as management is of the opinion that insuring the trees is not economical given the risks to trees are minimal.

Although our Group has taken the necessary measures to ensure that our assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of our Group, including but not limited to the plantation estates or any consequential costs arising therefrom.

5.15 A significant interruption in our operations could reduce our production

There have been no interruptions outside the ordinary course of business which had a significant effect on our operations during the past twelve (12) months. Any significant interruptions to our operations as a result of breakdown in our mills, union strikes or natural disasters could materially and adversely affect our business, financial condition and results of operations.

5.16 We are dependent on political, economic and government regulations which are outside our control

Political developments and uncertain economic conditions, if any, in Malaysia and other countries where palm oil products are currently being exported to, could affect the financial prospects of our Group. Examples of these political and economic uncertainties include but not limited to changes in labour laws and availability of foreign labour, interest rates, foreign exchange rates, methods of taxation, tariffs and duties. The occurrence of any unforeseen events, such as the outbreak of war, diseases and natural disasters may disrupt the demand and supply of CPO thus affecting the prices of CPO. The bilateral relationships between the major trading partners of Malaysia in relation to CPO, such as India, PRC and Pakistan also plays an important factor in demand as these countries represent the biggest buyer of Malaysia's palm oil products.

5.17 We are subject to environmental laws as well as environmental risks

The environmental aspect of a palm oil mill is regulated by the Department of Environment which monitors waste discharge such as effluent discharge. Depending on the locality, each mill is required to ensure that effluent discharges are below a pre-determined *Bio-Oxygen Demand* levels. Repeated violation will result in severe fines, jail sentences for employees and even the suspension of the mill operating licences.

Our Group has always conformed to the environmental regulatory requirement and carried out consistent monitoring of our environmental practices to ensure that we conform and exceed industry standards. Although no absolute guarantee is given, our Group is confident based on our current environmental practices, that we will continue to conform to the requirements of the applicable laws.

5.18 We may be influenced by our substantial shareholder

Subsequent to the IPO, LTH will directly own approximately 60% of our Company's issued and paid-up capital. As a result, LTH is likely to be able to influence the outcome of certain matters requiring the vote of our shareholders, unless LTH is required to abstain from voting by law and/or by the relevant authorities.

An audit committee comprising independent directors which is required to be formed under the Bursa Securities Listing Requirements will, inter-alia, monitor any transaction between our Group and our Directors/substantial shareholders and/or persons connected with them to ensure that these transactions are entered into at commercial terms and on an arm's length basis.

5.19 We are subject to foreign exchange risk

We are principally involve in the cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB and provision of management services. As the selling price of CPO and PK are derived from the global commodity market and quoted in USD, exchange rates fluctuations poses a risk to our earnings. On 1 September 1998, currency control was imposed via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia ("BNM") as one of the counter measures to the Asian Financial Crisis in 1997. On 21 July 2005, this currency control was lifted as BNM announced that the RM will be allowed to operate in a managed float with its value being determined by economic fundamentals, vis-à-vis, monitored against a basket of currencies to ensure the exchange rate remains close to its fair value. However, there can be no assurance if any currency control will recur or fluctuations in significant future exchange rate will not adversely affect the financial results of our Group.

5.20 Our actual results may vary significantly from the profit forecast in this Prospectus

It should be noted that our profit forecast in this Prospectus is based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, foreign exchange rates and various other matters of an operational or financial nature. These assumptions are listed in Section 13.11 and our Directors believe that these assumptions are reasonable. These assumptions are nevertheless subject to uncertainties and contingencies and in most cases, beyond our control. Some of these assumptions with respect to future business decisions and strategies are subject to change. As a result, our actual results may differ from such forecast and such differences may be material and may affect the market price of our Shares and any dividend that may be contemplated as described in Section 13.8. Under no circumstances should the inclusion of the profit forecast in this Prospectus be regarded as a representation, warranty or prediction with respect to its accuracy or the accuracy of the underlying assumptions, or that we had or will achieve or are likely to achieve any particular result.

You should note carefully the bases and assumptions to the profit forecast as well as the comments made by our Reporting Accountants in their letter on the consolidated profit forecast as set out in Section 13.11 of this Prospectus.

5.21 Our forward-looking statements may not be accurate

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecast and assumptions made by us and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include but not limited to general economic and business conditions, competition and the impact of new laws and regulations affecting our Group. In light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation by us or our adviser that the plans and objectives of our Group will be achieved.

5.22 There may be a delay or failure in our Listing

The listing exercise is exposed to the risk that it may fail or be delayed should, amongst others, the following events occur:

(a) *Force majeure* events or events/circumstances which are beyond our and the underwriters' control before the listing of our Company;

(b) Our Company and/or our Underwriters failing to honour our respective obligations under the underwriting agreement;

(c) Our Company is unable to meet the public spread requirements of Bursa Securities which states that at least 25% of the total number of shares of our Company for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, upon completion of the OFS and at the point of listing; and

(d) Any or all the identified investors fail for whatever reason to subscribe for their respective portions of our Offer Shares to be placed out to them.

6. INDUSTRY OVERVIEW

6.1 Overview of the Malaysian Economy in 2005 and Outlook of the Malaysian Economy in 2006

The Malaysian economy remains resilient despite moderation in global growth and less accommodative USA monetary policy. Growth in the first half of 2005 was lower at 4.9% compared to 8.1% during the corresponding period in 2004. The economy is expected to register a growth of 5.1% for the second half of 2005, with an average growth for the year at 5.0%.

Growth is expected to be broad-based, driven by domestic demand, which is fuelled by private sector spending. There is a sturdy growth in private consumption at 7.5% due to rising household disposable income, stable employment market, low interest rate environment and favourable commodity prices. Except for the construction sector, positive growth in major sectors points to an economic expansion. The main drivers of growth are services, manufacturing and the primary commodity sectors.

The domestic macroeconomic fundamentals are further strengthened by the continuing build-up in international reserves arising from longer current account surplus and inflows of foreign capital.

Domestic demand increased by 5.6%, underpinned by strong private consumption spending and continued increase in private investment activity. Stable income and employment, amidst high export earnings and savings, as well as competitive credit market conditions, contributed to positive consumer confidence and consumer spending. Indicators of consumption spending such as credit disbursed for consumption purposes and consumer-oriented businesses as well as imports of consumption goods point to robust underlying demand.

Gross fixed capital formation rose by 6.7%, supported mainly by private investment. The resilience in private capital spending was evident in the strong growth in imports of capital goods for capital expansion, and upgrading of technology and expansion of lending to the business sector.

On the supply side, the service sector continued to provide the main impetus for growth. Strong consumer spending, increased tourist arrivals and improved business activity is expected to lead to a growth of 5.8% in the service sector. In particular, the wholesale and retail trade, hotels and restaurant, transport, storage and communication, and electricity, gas and water sub-sectors, continued to experience robust growth in line with expansion in private sector activities.

The manufacturing sector increased by 4.4% during the first half. Performance of selected resource-based industries, namely chemical products and off-estate processing industries, continued to sustain double-digit growth to support the expansion in the export-oriented industries, which more than offset the decline in the output of selected domestic-oriented industries. Following better prospects in global electronics demand, the manufacturing sector is envisaged to grow at 4.8%.

Value added in the agriculture sector is expected to grow by 4.8%, due mainly to strong expansion in palm oil production as a result of increased matured areas and better productivity. Export proceeds of palm oil increased due to demand from the European Union for biodiesel production and higher purchases by PRC and India. The mining and construction sector continued to decline at 1.6% and 2% respectively.

Despite the uncertainties associated with both inflation and economic outlook, particularly in relation to the impact of oil prices, Malaysia's external position remains strong. The trade balance recorded a large surplus of RM22.9 billion. Gross exports registered a growth of 10.8%, supported by robust growth in exports of minerals (31.5%) and reinforced by expansion in exports of manufactured goods (9.2%) and agriculture commodities (5.3%).

Prospects for the Malaysian economy in 2006 remain favourable, supported by external and domestic demand. Global demand is expected to be sustained based on the favourable indicators emerging recently from the USA, Japan and the Euro area. However, there are downside risks in the horizon, particularly with imbalances brought about by sharp increases in oil prices. There will likely be pressure on price levels, given that the interest rate policy will continue to tighten, with rates expected to gradually trend upwards. Despite this, global economy is expected to grow at a rate of 4.3%, supported by PRC and the USA. The favourable external environment is therefore expected to support the expansion in domestic demand. As such, the Government is confident that Malaysia will achieve a GDP growth of 5.5% in 2006.

In an environment where inflation has increased, it is the objective of the Malaysian Government that the level of monetary accommodation will be balanced to ensure that the maximum sustainable growth is achieved in an environment of price stability. Given the uncertainties associated with both the inflation and economic outlook, particularly in relation to the impact of high oil prices, the balance of these risks will be closely monitored by the Malaysian Government in setting the future course of monetary policy. Malaysia's strong economic fundamentals, efficient financial markets and strong record of prudent policy provide a strong base for monetary policy to be implemented effectively.

(Source: Bank Negara Malaysia's Economic and Financial Developments in the Malaysian Economy, Second Quarter of 2005 and Ministry of Finance Malaysia's Economic Report 2005/2006)

6.2 Overview of the Malaysian Oil Palm Industry in 2005

The Malaysian oil palm industry recorded a mixed performance in 2005 due to the continued strong growth in production. The prices and export earnings dipped, despite an increase in exports of all oil palm products during the year. This also resulted in higher closing stocks for the year. The total oil palm planted area increased by 4.5% or 174,000 Ha to 4.0 million Ha in 2005. Sabah remained the largest oil palm planted state with 1.2 million Ha or 30% of the total planted area.

The production of CPO continued to increase for seven (7) consecutive years reaching 15.0 million tonnes in 2005 from 14.0 million tonnes the previous year. The impressive production growth of 7.1% was mainly attributed to the increase in matured areas, enhanced plantation and mill management, recovery in FFB yield per Ha to 18.88 tonnes and continued improvement in the OER to 20.15%. The increase during the past two (2) years is partly attributed to the Productivity Campaigns carried out by MPOB. In the case of CPKO, production also rose by 12.1% to 1.8 million tonnes in tandem with the increase in PK production and crushings by 8.3% and11.3% respectively.

The total export volume of palm oil products, constituting palm oil, PK oil, PK cake, oleochemicals and finished products increased by 7.3% or 1.26 million tonnes to 18.62 million tonnes in 2005 from 17.36 million tonnes in 2004. The export volume of all the palm oil products was higher compared to the previous year, notably PK cake, PK oil and palm oil registering increases of 13.1%, 9.0% and 6.9% respectively.

However, the total export revenue of oil palm products declined by 6.1% or RM1.84 billion to RM28.60 billion compared to RM30.44 billion in 2004. This was mainly due to the decline in export earnings of palm oil by 9.7% owing to its lower export prices during the year. On the other hand, the export earnings of PK oil, oleochemical products and PK cake was up by 10.6%, 1.9% and 0.7% respectively, while that of finished products saw a marginal decline.

Palm oil exports increased by 6.9% to 13.45 million tonnes from 12.58 million tonnes in 2004. The PRC maintained its position as the largest export market for Malaysia with offtakes totalling 2.96 million tonnes (a 5.5%increase compared to 2004), followed by the European Union at 2.27 million tonnes (a 15.6% increase compared to 2004) and Pakistan 0.96 million tonnes (a 0.3% increase compared to 2004). However, the exports to India declined by 32.6% to 0.64 million tonnes due to the high discriminatory import duty on processed palm oil products compared to CPO and soyabean oil.

The lower exports to India was offset by the increased export demand by other major markets. Palm oil exports to the US rose by 62.8% to 0.56 million tonnes as food manufactures switched to palm oil in anticipation of trans-fat labelling which comes into effect on 1 January 2006. The expansion of the oils and fats manufacturing sector in Egypt saw palm oil exports to the country increasing by 81.6% to 0.61 million tonnes. Export of palm oil to Bangladesh also rose sharply by 40.0% to 0.51 million tonnes.

PK oil exports rose by 9.9% to 0.85 million tonnes from 0.78 million tonnes in 2004. Exports to the US increased by 11.4% to 0.20 million tonnes, while offtakes by the European Union saw a remarkable increase of 72.1% to 0.17 million tonnes. Exports of PK cake increase by 13.1% to 2.03 million tonnes from 1.80 million tonnes the previous year. The European Union continued to remain as the largest PK cake market with exports up by 4.7% to 1.56 million tonnes or 76.8% of total PK cake exports.

Oleochemical exports continued to show good momentum, increasing by 3.6% to 1.83 million tonnes. The major oleochemical products exported were fatty acids (42.5%), followed by soap noodles (17.2%) and fatty alcohol (16.8%). The major markets were the European Unions (28.5%), PRC (14.6%), US (12.3%) and Japan (10.4%).

The slow pace of palm oil exports vis-a-vis production during the second half of the year saw palm oil stocks gradually building up and closing at 1.6 million tonnes in 2005, an increase of 0.11 million tonnes or 7.6% against the previous year's closing level of 1.49 million tonnes. PK oil closing stocks also rose by 20.2% to 0.23 million tonnes.

The average prices of oil palm products retracted in 2005, after sustaining an upward trend during the past three (3) years. The price decline was attributed by the high stocks at the beginning of the year, renewed concerns over the build-up in domestic stocks owing to the slow pace of exports during the second half of the year and lower soyabean oil prices in the world market. In addition, the de-pegging of the RM in July 2005 and market expectations that the RM will strengthen also dampened market sentiments. The average CPO price fell 13.4% or RM216 to RM1,394 against RM1,610 the previous year. CPO prices traded in a narrow range throughout the year with the highest and lowest CPO monthly average prices recorded in October and February at RM1,455 and RM1,305 respectively. Subsequently, the average export price for processed palm oil products also declined, namely RBD palm oil by RM222 or 13.2% to RM1,454; RBD palm olein by RM255 or 14.6% to RM1,497 and RBD palm stearin by RM243 or 15.8% to RM1,298.

The average price of PK and CPKO also declined by 4.3% and 5.3% to RM1,017 and RM2,183 respectively. The average price of FFB at 1% OER also fell in tandem with the lower CPO price by 15.7% to RM14.55 from RM17.26 the previous year.

The forecast smaller growth in CPO production to 15.1 million tonnes in 2006 after seven (7) years of uninterrupted uptrend in production growth is expected to mitigate the pressure of the higher palm oil carry-over stocks. Demand for palm oil also looks promising with the abolishment of palm oil import quota by PRC, trans-fat labelling in the US and increasing worldwide demand for biodiesel. Coupled with this and the projected higher growth in world oils and fats demand against production, the outlook for palm oil prices in 2006 is likely to be positive.

(Source: www.mpob.gov.my)

6.2.1 Industry growth for the past five (5) years

Malaysia has continued to be the leading producer and exporter of palm oil for over a decade. The progressive pursuit of oil palm cultivation has evolved Malaysia from a mere producer of CPO into a more diversified producer of new and value-added downstream food and non-food products.

The growth of the palm oil industry in Malaysia for the past five (5) years from 2001 to 2005 are set out below:

	<----------------Year ended 31 December---------------->				
	2001	**2002**	**2003**	**2004**	**2005**
Plantation Area (000 Ha)					
Planted	3,499	3,670	3,802	3,875	N/A
Matured	3,005	3,188	3,303	3,451	N/A
Yield (MT/Ha)					
FFB	19.14	17.97	18.99	18.60	18.88
CPO	3.66	3.59	3.75	3.73	3.80
PK	1.05	0.98	1.02	0.98	N/A
Production (000 MT)					
CPO	11,804	11,909	13,355	13,976	14,962
CPKO	1,532	1,473	1,644	1,644	1,843
Export Volume (000 MT)					
Palm Oil*	10,625	10,886	12,266	12,575	13,440
PK Oil**	669	698	869	779	851
Annual Average Price for Peninsular Malaysia (RM/MT)					
CPO (local delivered)	895	1,364	1,544	1,610	1,394
CPKO (local delivered)	1,010	1,410	1,585	2,306	2,183

Notes:

* *CPO and processed palm oil.*
** *CPKO and processed PK oil.*
N/A Not available

(Source: www.mpob.gov.my)

6.2.2 Plantation Area

A summary of oil palm plantation area in Malaysia over the past five (5) years from 2000 to 2004 is set out below:

	Oil Palm Plantation Area (000 Ha)				
	2000	**2001**	**2002**	**2003**	**2004**
Peninsular Malaysia					
- Planted	2,046	2,097	2,187	2,202	2,202
- Matured	1,832	1,841	1,927	1,923	1,964
Sabah					
- Planted	1,001	1,027	1,069	1,135	1,165
- Matured	869	906	961	1,035	1,081
Sarawak					
- Planted	330	375	414	465	508
- Matured	241	258	300	345	406
TOTAL					
- Planted	3,377	3,499	3,670	3,802	3,875
- Matured	2,942	3,005	3,188	3,303	3,451

	Distribution of Oil Palm Plantation Area in Malaysia (As a % of total planted area in Malaysia)				
	2000	**2001**	**2002**	**2003**	**2004**
Sabah	30%	29%	29%	30%	30%
Johor	19%	18%	18%	17%	17%
Pahang	15%	15%	16%	15%	15%
Sarawak	10%	11%	11%	12%	13%
Perak	9%	9%	9%	8%	8%
Others*	17%	18%	17%	18%	17%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Note:

* *The distribution of the oil palm plantations for the other states is, individually, less than 5% each*

(Source:www.mpob.gov.my)

As at 31 December 2005, our Group's oil palm planted areas are approximately 15,471 Ha in size and are located in Pahang (46%), Johor (26%), Negeri Sembilan (17%) and Terengganu (11%) respectively.

6.3 Industry Players and Competition

As palm oil is a globally traded commodity, a company operating within this industry faces competition from both within and outside the country.

6.3.1 Competition from global producers

Although Malaysia has been the leading producer of palm oil for the past decade, Malaysia is faced with the prospect of being over-taken by Indonesia as the largest producer of palm oil. Indonesia's palm oil production has increased significantly owing to its abundance of suitable land and labour, the lower production costs and relatively high yield potential per hectare. Indonesia is expected to be the largest producer of palm oil globally in the future if Malaysia does not increase its planted area.

The list of major palm oil producers and their respective contribution over the past five (5) years are as follows:

World Major Producers Of Palm Oil (In 000 Tonnes)

Year	Malaysia	Indonesia	Nigeria	Others	Total
2000	10,842	7,050	740	3,231	21,863
2001	11,804	8,080	770	3,344	23,998
2002	11,909	9,370	775	3,372	25,426
2003	13,355	10,300	785	3,463	27,903
2004	13,976	11,400	790	3,787	29,953

(Source: www.mpob.gov.my)

6.3.2 Competition from other edible oils

Competition comes from soya bean oil, rapeseed oil and sunflower oil. However, their production costs per tonne are much higher than that of palm oil. This gives palm oil a competitive edge in terms of pricing. Nevertheless, research advances including genetic modification technologies may reduce the production cost of other oil seeds in time to come.

Under favourable climate conditions, as in Malaysia, the oil palm gives the highest yield of all the oil bearing plants and lower costs of production. Other countries tend to subsidise their oil seed crops as opposed to Malaysia where palm oil is heavily taxed. Nevertheless, the industry had and is expected to remain competitive.

Palm oil has a number of superior technical and health attributes over other vegetable oils especially in high temperature industrial frying as well as the manufacture of solid fats products and in its unique rich contents of tocotrienol type of Vitamin E and beta carotene.

The techno-economic advantages of palm oil therefore gives it an important competitive edge over other competing oils and fats.

6.3.3 Competition from local producers

Plantation

Oil palm plantations are by nature capital intensive ventures as significant capital outlays are required for acquiring and developing the plantation land. Consequently, a big proportion of the oil palm cultivation is operated by private estates and government schemes and agencies thus smallholders represents a less than significant presence in the industry.

In 2004, smallholders contributed 9.46% or 366,486 Ha of the total oil palm plantation area of 3,875,327 Ha. Private estates account for the largest share at 60.22% or 2,333,631 Ha of the total oil palm cultivated area. Meanwhile, Government schemes (i.e. FELDA, Federal Land Consolidation and Rehabilitation Authority Berhad ("FELCRA"), Rubber Industry Smallholders Development Authority ("RISDA") and State schemes) account for the remaining 30.32% or 1,175,210 Ha.

(Source: www.mpob.gov.my)

As palm oil is a commodity, there is minimal competition amongst the local plantation owners and smallholders in selling their FFB to the mills at the prevailing prices. Nevertheless, local industry players competes for land and labour. As more and more oil palm estates are being developed, lands for new developments are getting more difficult to procure. This has resulted in higher land prices as well as the development of land with marginally suitable soil. Availability of labour is another concern in the local palm oil industry. Local workers' dislike of plantation jobs, government restrictions on the import of foreign workers as well as high turnover of workers have contributed to a higher labour costs. Cost of fertilisers had also increase by 30% for the past one (1) year in tandem with the increase in global crude oil prices which is a component in the production of fertilisers. All these factors have caused an increase in the production cost per tonne of palm oil.

The capital requirements for smallholders are relatively low compared to the large plantations due to their smaller plantations size. However, there is no real economy of scale for these smallholders, thus the economic efficiency of running a plantation is not maximised. As such, a plantation company of our size is in a better position to compete as it enjoys better economies of scale in management and financial resources, fertiliser sourcing, land purchase and development, labour recruitment and retention, mechanisation and technical back-up to increase yields to minimise the impact of higher production cost.

Some of the major oil palm plantation industry players in Malaysia are as follows:

	Name	**Planted Area (Ha)**
1.	FELDA	611,759^
2.	IOI Corporation Berhad	143,696*
3.	Kuala Lumpur Kepong Berhad	121,030*
4.	Golden Hope Plantations Berhad	169,307*
5.	Boustead Holdings Berhad	80,207^
6.	Sime Darby Berhad	80,191*
7.	PPB Oil Palms Berhad	79,111^

Notes:

^ *Source: www.mpob.gov.my and respective annual reports 2004*
* *Source: Respective annual reports 2005*

Milling

There are 385 existing palm oil mills (commercial and plantation mills) of which 381 are operating throughout Malaysia based on MPOB status of licenses as at December 2004.

(Source: www.mpob.gov.my)

Although mills are normally designed to cope with their own plantation FFB crops, the production from their own plantation are usually insufficient to maximise the economies of scale of the mill hence, there are some competition for the supply of FFB crops in the same locality. As such, the locations of mills are important as high transport cost of FFB will render far away mills uncompetitive. Current restrictive policies of the State Authority and MPOB of only approving new palm oil mill licenses in line with the availability of FFB supply in the region has reduced the problem of excess capacity arising from the competition for FFB supplies among the commercial millers.

6.4 Government Legislation, Policies and Incentives

Malaysia has been recognised as an efficient and major global producer of several agricultural commodities including palm oil, which has contributed significantly to the economy over the years. To ensure the industry remain competitive and efficient, the Government has taken various measures to support the palm oil industry.

On 25 January 1990, the Malaysian Palm Oil Promotion Council was incorporated and charged with spearheading the promotional and marketing activities of Malaysian palm oil to make it the leading edible oil producer in the global oil and fat markets. This can be seen in one of its effort to counter smear campaign against palm oil which was described as "tropical grease" in the early 1990s. Promotional activities were also conducted on the nutritional value of palm oil amongst customers in USA, Europe and other countries, especially in USA where eventually the "no palm oil, no cholesterol" label was dropped from all USA-manufactured food products. Subsequently, the demand for palm oil has increased until today.

(Source: www.mpopc.org.my and the Business Times dated 19 August 1991 and 7 December 1991)

In an effort to consolidate the regulatory environment, the MPOB was established on 1 May 2000 to take over the functions of Palm Oil Research Institute of Malaysia ("PORIM") and Palm Oil Registration & Licensing Authority ("PORLA"). MPOB's main role is to promote and develop national objectives, policies and priorities for the orderly development and administration of the Malaysian palm oil industry. In one of its latest research breakthrough, MPOB's Research and Development division managed to develop an expert system to determine the status of nutrients in the oil palm environments so that plantation operators can apply the correct quantum of fertilisers.

(Source: www.mpob.gov.my)